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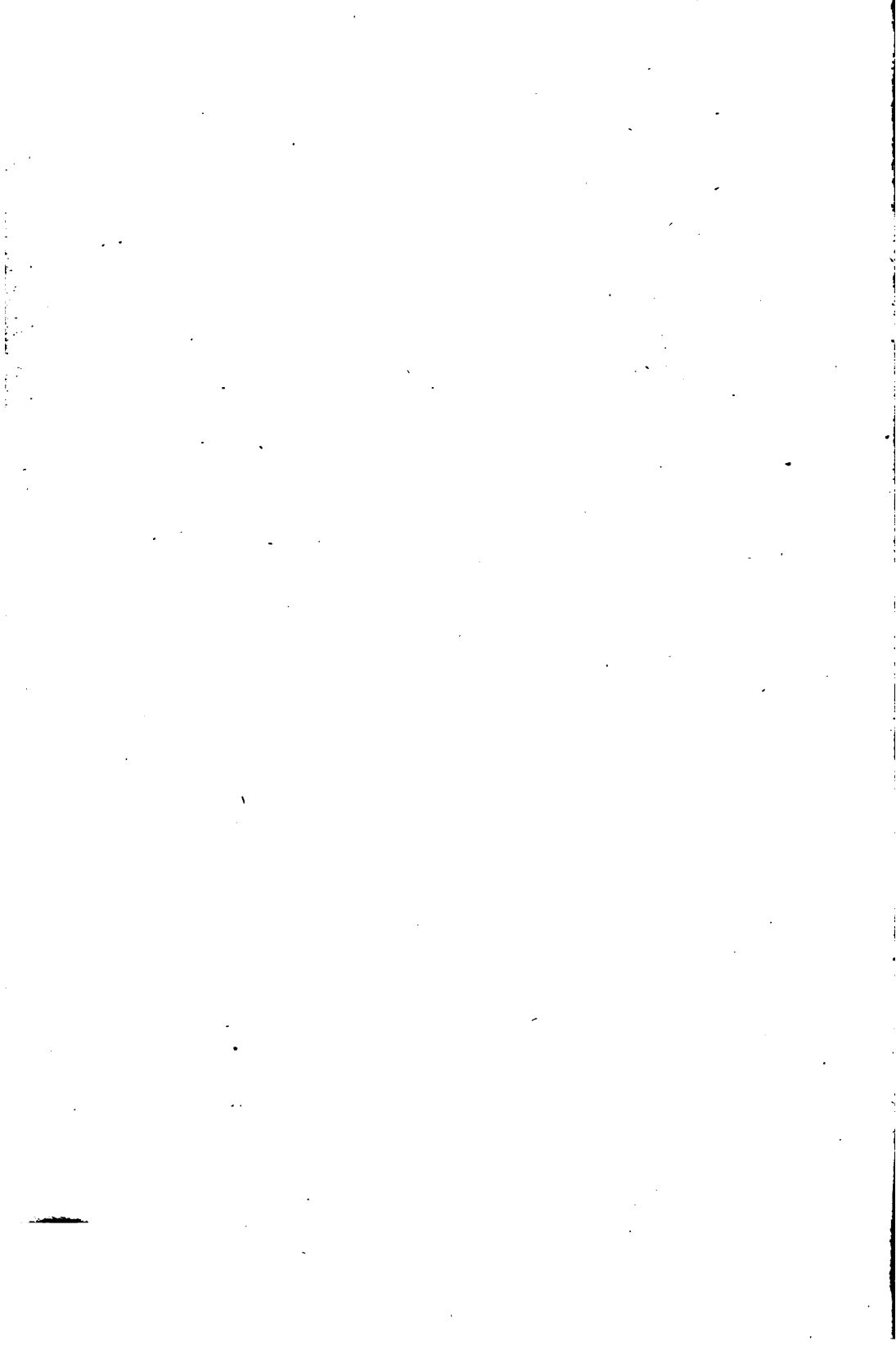
Presented by

Tax Commission of Wis.

March 16. 1903

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SECOND BIENNIAL REPORT

OF THE

WISCONSIN (STATE) TAX COMMISSION.

TO THE

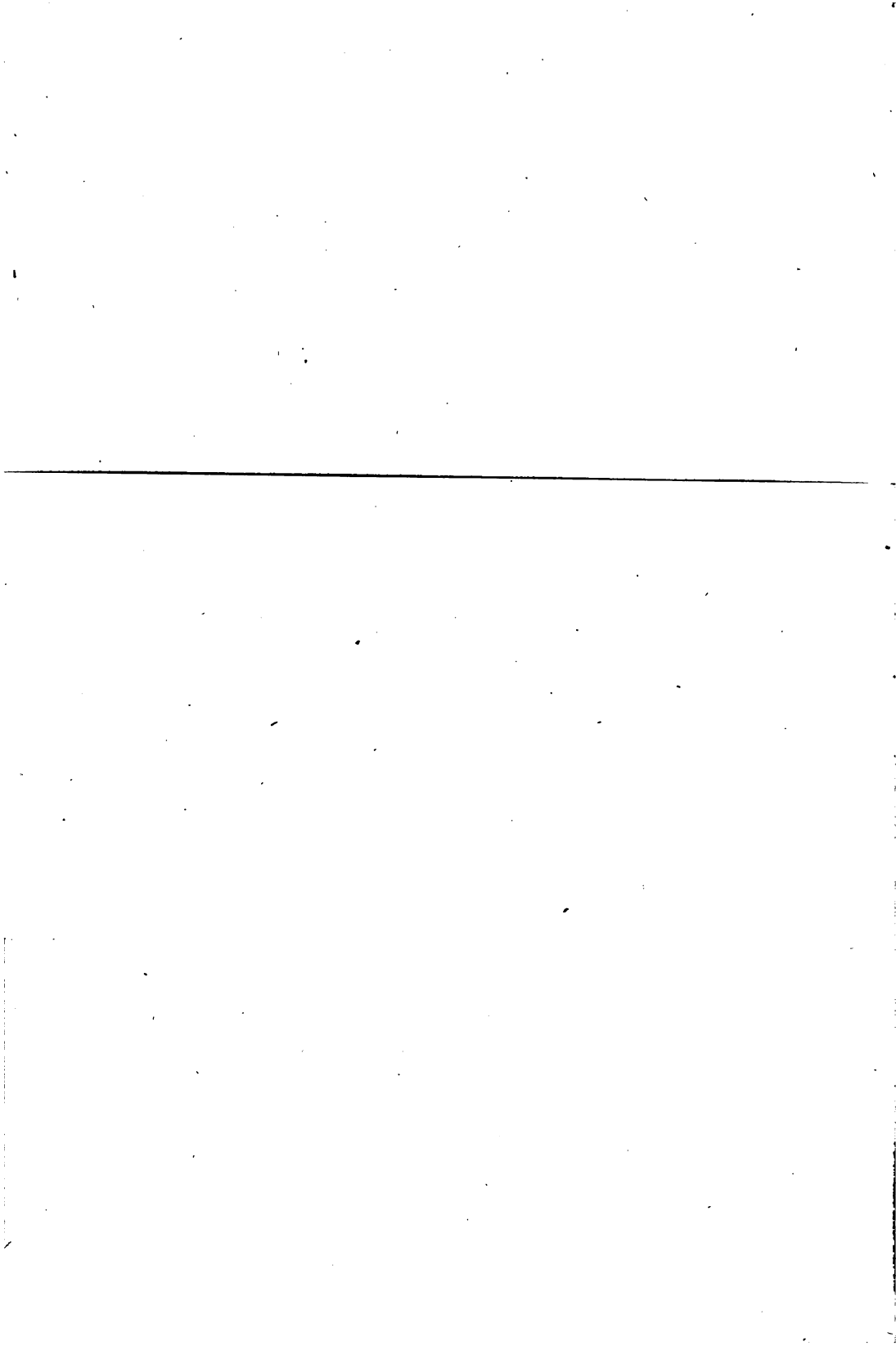
GOVERNOR AND LEGISLATURE

NORMAN S. GILSON,
GEORGE CURTIS, JR.,
NILS P. HAUGEN, } *Commissioners.*

GEO. H. FRANCIS, *Secretary*

MADISON, WISCONSIN.

1903.



5-28-29 MVP.

LETTER OF TRANSMITTAL.

WISCONSIN STATE TAX COMMISSION,

MADISON, DECEMBER 10, 1902.

To the Honorable, the Governor,

and the Legislature of the State of Wisconsin:

In compliance with the provisions of Chapter 206, Laws of 1899, and Chapter 220, Laws of 1901, the Second Biennial Report of the Wisconsin State Tax Commission is respectfully submitted.

NORMAN S. GILSON,

GEO. CURTIS, JR.,

NILS P. HAUGEN.

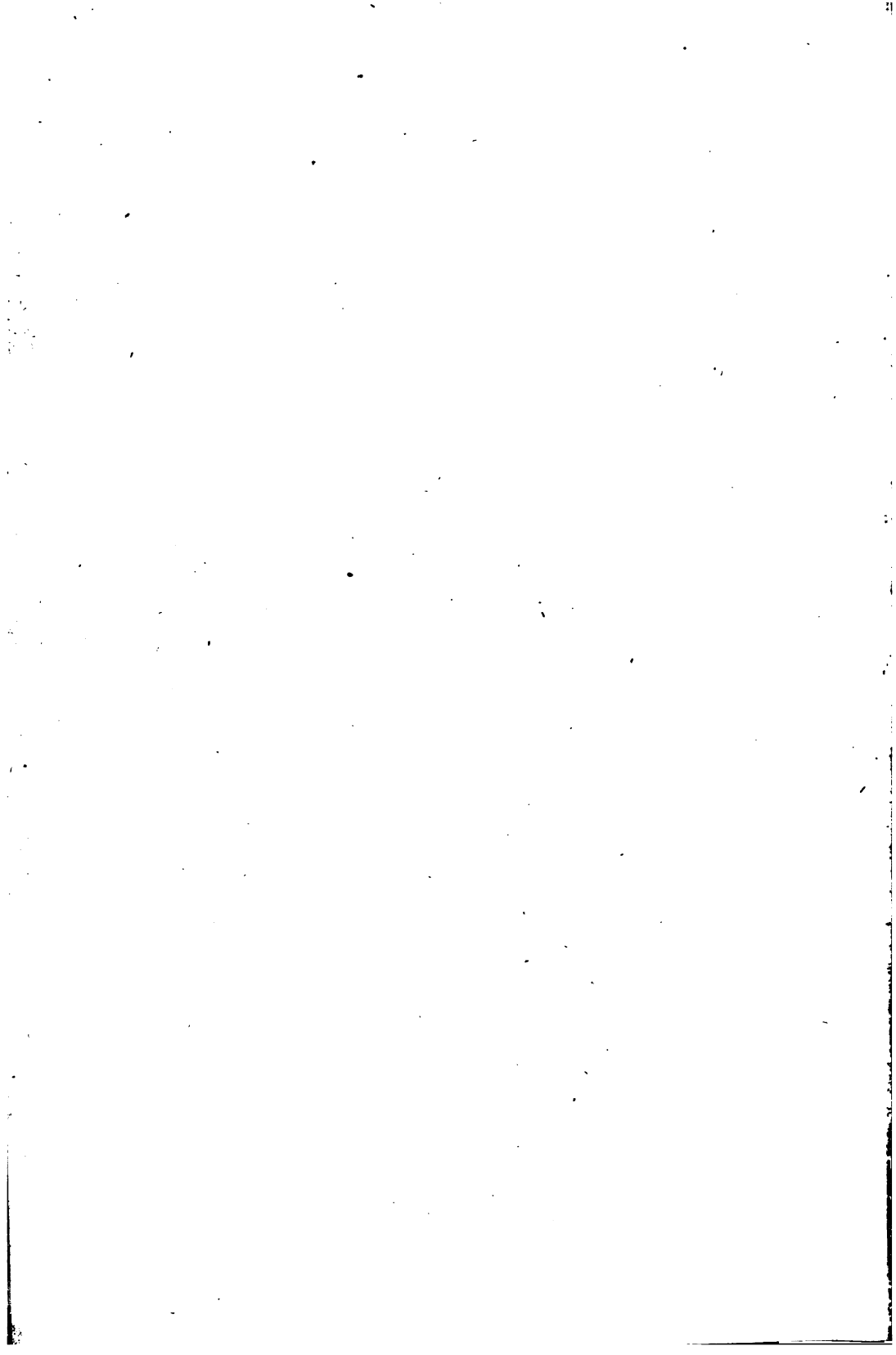


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ACT CREATING THE TAX COMMISSION.

(Chapter 206, as amended by Chapter 322, Laws of 1899.)

SECTION 1. In order to secure improvement in the system and an equalization of taxation in this state, there shall be a commissioner of taxation, a first assistant commissioner, and a second assistant commissioner. The governor shall nominate, and by and with the consent of the senate at this session, appoint as such officers, persons known to him to possess knowledge of the subject of taxation and skill in matters pertaining thereto, to serve ten years from May 1, 1899.

SEC. 2. The commissioner and each of his assistants and any clerk appointed by him, within thirty days after his acceptance of such appointment, and before entering upon the discharge of his duties, shall take, subscribe and file with the secretary of state the constitutional oath of office.

SEC. 3. The commissioner shall have a general supervision of the system of taxation throughout this state, shall have power to make a thorough investigation thereof, and shall report to the legislature on the first day of each regular session the results of his supervision and investigation, and shall formulate and recommend legislation for the improvement of the system and for the equalization of the taxation of the state. He shall keep in his office a public record of his acts and orders, and print from time to time for general circulation, such information as he may deem proper.

SEC. 4. In making any investigation, he shall have power to require local officers whose duties pertain to the assessment and collection of taxes, or to the disbursement of public funds, to report to him in form as prescribed by him, to call upon individuals and corporations for information bearing upon the subject of taxation, to examine books and papers, to summon witnesses to appear and testify and to produce books and papers before him at a time and place to be appointed by him, and in case of the refusal of any person to obey his summons, to report the

same to the attorney general, who shall thereupon institute proceedings in the proper circuit court to compel such obedience. The commissioner may administer oaths or affirmations. In the discretion of the commissioner, fees may be allowed to witnesses, and on his certificate, duly audited, paid by the state treasurer, for attendance and traveling, as provided in section 4067 of the statutes of 1898. Any person testifying falsely before the commissioner shall be guilty of and punished for perjury.

SEC. 5. The assistant commissioners shall perform such duties as the commissioner may prescribe, and in the performance thereof shall exercise, so far as necessary, the power hereby vested in the commissioner.

SEC. 6. The commissioner shall be a member of and preside at the meetings of the state board of assessment, and shall lay before the board such information within his possession as in his judgment will assist it in its deliberations.

SEC. 7. The annual compensation of the commissioner shall be five thousand dollars, of the first assistant commissioner four thousand dollars, of the second assistant commissioner four thousand dollars, and of any clerk or employee in his office, the sum fixed by him; and no person while serving as commissioner or as either of his assistants, or as a clerk in his office, shall hold any other office or position of trust or profit, or pursue any other business or avocation, or serve on or under any committee of any political party.

SEC. 8. Rooms in the capitol shall be set apart for the use and furnished under the direction of the commissioner. His postage, stationery and office supplies shall be provided by the superintendent of public property, and his printing done by the commissioners of the public printing.

SEC. 9. The salaries of the commissioner, of his assistants and clerks, their necessary traveling expenses and all the other disbursements of his office shall be paid out of the state treasury, as the salaries and expenses of other state officers are paid, and a sum sufficient to carry out the provisions of this act is hereby appropriated.

The law creating the commission and prescribing its duties was amended by chapter 220, Laws of 1901, which is as follows:

SECTION 1. A new section is hereby added to chapter 206 of the laws of 1899 to be numbered and read as follows: Section 3a. The commissioner shall have the power and it shall be his duty. I. To have and exercise general supervision of the system of taxation throughout the state. II. To exercise general

supervision over assessors, town, city and village boards of review or equalization, and the determination and assessment of taxable property in the several towns, cities and villages by the county board of supervisors to the end that all taxable property in the state shall be placed on the assessment rolls at the true cash value, equalized between persons, companies and corporations in assessment districts and between municipalities in counties so that equality of taxation shall be secured according to the provisions of law. III. To confer with, advise and direct assessors, boards of review and county boards of supervisors as to their duties under the statutes of the state, and to direct that proceedings, actions or prosecutions be instituted to enforce the laws relating to the penalties, liabilities and punishment of public officers, persons and officers or agents of corporations for failure or neglect to comply with the provisions of the statutes governing the return, assessment and taxation of property, to cause complaints to be made against assessors or other taxing officers to the proper circuit judge for their removal from office for official misconduct or neglect of duty. In the execution of these powers and duties the said commissioner may call upon district attorneys who shall assist in the commencement and prosecutions of actions and proceedings for penalties, for forfeitures, removals and punishment for violation of the laws of the state in respect to the assessments and taxation of the property. IV. The commissioner shall have power to require town, city and village officers to report information as to the assessment of property, collection of taxes, the expenditure of public funds for all purposes and any other information which said commissioner may request. V. To require individuals, partnerships, companies, associations and corporations to furnish information concerning their capital, funded debt, value of property, earnings, taxes and all other facts called for so that the commissioner may ascertain the relative burdens borne by all kinds of property in the state. VI. To summon witnesses to appear and testify on the subject of the value of property, earnings, taxes, or upon any matter deemed material to the investigation of the system of taxation and the expenditure of public funds for state, county and local purposes. VII. The commissioner and each of his assistants may administer the oath to witnesses. In case any witness shall fail to obey the summons to appear, or refuse to testify such failures or refusal shall be reported to the attorney general who shall thereupon institute proceedings in the proper circuit court to compel obedience or to punish a witness for any neglect or refusal. Any person who shall testify falsely shall be guilty of, and punished for perjury. In the discretion of the commis-

sioner, officers who serve summons and witnesses attending shall receive like compensation as officers and witnesses in the circuit court. VIII. To visit the counties in the state, unless prevented by other necessary official duties, for the investigation of the methods adopted by local assessors, boards of review and county boards of supervisors in the assessment, equalization and taxation of real and personal property; to carefully examine into all cases where evasion of proper taxation is alleged, and ascertain wherein existing laws are defective or are improperly or negligently administered; to investigate the taxation systems or [of] other states and countries, and they shall formulate and recommend such legislation as may be found necessary to prevent the evasion of just and equal taxation and for the improvement of the system of taxation in the state. IX. To consult and confer with the governor of the state upon the subjects of taxation, the administration of the laws in relation thereto, the progress of the work, and to furnish the governor from time to time such assistance or information as he may require. X. To transmit to the governor of the state at least thirty days before the meeting of the legislature the report of the commissioner showing all the taxable property in the state and the value of the same in tabulated form with the recommendations for improvement in the system of taxation in the state and such measures as may be formulated for the consideration of the legislature. XI. To transmit copies of the report showing all the taxable property in the state and the value of the same in tabulated form with recommendations to each member of the legislature thirty days before the meeting of the legislature. XII. To perform such further duties as may be imposed on such commissioner by law.

SEC. 2. Section 9 of chapter 206 of the laws of 1899 is hereby amended to read as follows: Section 9. The salaries of the commissioner, his assistants and clerks, their necessary traveling expenses and all other disbursements of his office, shall be paid out of the state treasury as the salaries and expenses of other state officers are paid and a sum sufficient to carry out the provisions of this act is hereby appropriated, provided the salaries of clerks, traveling expenses and other disbursements shall not exceed the sum of ten thousand dollars in any one year.

CHAPTER I.

ADMINISTRATIVE WORK OF TAX COMMISSION.

The legislature in 1901 also enacted chapter 379 providing additional penalties and punishments for violations of the assessment laws by assessing officers and property owners and for neglect of duty by assessing officers.

It also passed chapter 330 providing for the removal of assessing officers for violations of the assessment laws or for neglect of official duty.

To further provide for the better enforcement of the assessment laws chapter 445, Laws of 1901, created the office of county supervisor of assessment, an entirely new official, and a new experiment in assessment legislation. Under this act each county board (except that of Buffalo County) at its annual session of 1901 elected a supervisor of assessment to serve for three years from January 1, 1902. Such official has general supervision of the work of the assessment in his county and acts in turn under the supervision and direction of the state tax commission. Being restricted to the county he is enabled to supervise the work of assessors and boards of review more in detail than is practicable to a state board. In Racine County the supervisor elected by the county board was found by the circuit court to have been ineligible to the office for the reason that he had not been a "householder" of the county for the period of time preceding his election, required by the act. With the exception of Buffalo and Racine Counties the supervisors elected, acted as such throughout the assessment season of 1902.

All the legislation on the subject of assessment and taxation passed by the sessions of 1899 and 1901 has one purpose in view, to-wit: To secure the assessment of all taxable property in the state at its full cash value. The tax commission has re-

ceived very valuable assistance from the supervisors in that respect. A much greater degree of uniformity of assessments than heretofore prevailing has been secured through their efforts and personal presence with assessors and supervision of their work.

In accordance with law the tax commission called a meeting of the county supervisors of assessment at the capitol on February 18, 1902, for a conference on the subject of taxation, the administration of the laws and for the instruction of such officers in their duties. The meeting continued through two days, all the supervisors attending, and a report of the proceedings has heretofore been printed in pamphlet form.

The law further provides that the county supervisor of assessment "shall annually on or before the last Tuesday of April call a meeting of all the assessors of the county for conference and instruction relative to the duties of such officers in the valuation and assessment of all kinds and classes of property subject to taxation under the laws of the state." Such meetings were held in all the counties and in several instances a member of this commission was in attendance. We believe a much fuller compliance with the assessment laws than heretofore prevailing has followed these conferences. As this is a new experiment in the work of assessment, and the county supervisors were obliged to enter a new field without precedent to guide them it is not surprising that difficulties should be encountered, and that in some instances there should arise a certain amount of friction as to the respective duties of the supervisor and assessors and as to whether the former can, under the law direct the latter in the matter of particular valuations. While the law creating the office gives to the supervisor "full and complete supervision and direction of the work of the . . . assessors," it in no manner changes the duties of the assessor or relieves him from the responsibility of exercising his individual judgment. The power is vested in the supervisor to make independent assessments and to examine property owners and witnesses under oath and thus enables him to present to the board of review and county board the facts where the assessor willfully disregards the law, or to take steps for his removal. We are not advised

that any supervisor has availed himself of the latter remedy. We are, however, advised of at least one instance where the property of a manufacturing concern was, after careful personal examination, assessed by the supervisor at a much higher figure than by the assessor, and upon the report of the supervisor to the county board, such increase of valuation was added to the valuation of the assessment district. The result of such action is to impose upon the entire assessment district the tax which in justice should be borne by the individual owner. It becomes a penalty on all the taxpayers of the district (except the favored individual) for non-performance of duty by the officer. This brings the responsibility for the assessor's misconduct directly home to the electorate to which he owes his official existence.

On the whole, however, assessors have shown a commendable desire to comply with the law and accept the assistance of the supervisor. This change in the attitude of assessors who had previously been in the habit of valuing property at a very low percentage of true value demonstrates that the object of the assessor has been to protect his town or assessment district against lower assessments in neighboring districts. When assured that the law will be followed elsewhere he prefers the more direct and simple method of complying with it to the more complicated one of first ascertaining the true value and then reducing his assessments to a certain percentage of such value. Assessments and taxation have recently received more attention throughout the state than ever before and the public conscience has to some extent been quickened to a better observance of the law and the better understanding of the fact that equality of taxation between individuals, districts and counties can best be attained through a strict enforcement of the law to assess all taxable property at full cash value. When this rule is departed from the bars are thrown down and each assessor is tempted to outbid his neighbor by adopting the lowest possible ratio of true value.

The difficult and perplexing work of the supervisor of assessment will, it is confidently believed, with experience further justify the creation of the office. Elsewhere in this report will be found statistics showing the increase over former years of intangible property assessed in 1902 which must be largely credited to their diligence.

The commission desires to signify its approval of the law creating the office of county supervisor of assessment as well as the work of the supervisors during the first, and necessarily most difficult year of their existence.

It is established beyond controversy that they have succeeded in having placed on the assessment rolls much property heretofore escaping taxation, and have to that extent relieved the honest citizen who by having had all his property assessed has as conscientiously abstained from cheating *all* his neighbor taxpayers as he would refrain from cheating them as individuals in his private dealings. Recent annual meetings of the county boards have quite generally followed the reports made to them by the supervisors in equalizing taxes between the different municipalities.

The correspondence during the assessment season with assessors, members of board of review and supervisors of assessments has been very voluminous and has necessitated the investigation of almost every subject that might be conceived as arising under the laws. In former years such correspondence has been carried on directly with assessors and boards of review. In 1902, where correspondence was had with such officials a copy was mailed to the supervisor who in that manner was enabled to advise other assessors of his county when the same question presented itself.

It is not the purpose here to enter into a detailed discussion of what may be deemed incongruities and imperfections in present laws. Many such have come to our attention and will be presented to the legislature in the form of a proposed bill or as a supplemental report at a later date. They are as a rule of a purely administrative character and do not go to the merits of the general property tax. For that reason it is deemed best not to enter into a detailed discussion of them here.

CHAPTER II.

THE STATE ASSESSMENT.

Chapter 237, Laws of 1901, provides that "The commissioner of taxation, the first assistant commissioner of taxation and the second assistant commissioner of taxation shall constitute a state board of assessment," and, after prescribing the duties of such board, repeals section 1069 of the Statutes of 1898 which provided that "The secretary of state, state treasurer and attorney general shall constitute a state board of assessment."

It was probably the intention of the legislature by the act of 1901 to confer upon the members of the state tax commission all the duties with reference to assessments exercised by the then existing state board of assessment. But chapters 111, 112, 113 and 114 of the Laws of 1899 had made it the duty of the board as then constituted to assess the property of express companies, sleeping car companies, freight line companies and equipment companies. The said several acts of 1899 were not repealed by or in any manner referred to in the law of 1901 and the old state board has continued to perform the duties therein prescribed. If it is desired, as seems reasonable, to substitute the members of the tax commission for the old state board of assessment in the matters referred to in the several acts of 1899, chapter 237, Laws of 1901, should be amended by relieving the officers constituting the old board of those duties and transferring all the powers and duties of the old board to the new board.

With this view of the act of 1901 the duties of the tax commission as a state board of assessment were confined to the assessment of the counties of the state. A part of chapter 237,

Laws of 1901, relating to the manner of making the state assessment reads as follows:

"The secretary of state shall prepare and lay before such board the latest statistics of population, local valuation of property and such other statistical information as he may be able to obtain in relation to the several counties in the state, which in his judgment will assist said board in its deliberations. The board shall carefully examine said statistics, and from all the sources of information accessible to it shall determine and assess the relative value of all property subject to taxation in each county. It shall set down in a list all the counties, opposite to the name of each county the valuation thereof so determined by it, which shall be the full value according to its best judgment."

The tax commission had in the pursuance of its duties gathered much information as to the value of property in the state which was valuable to the members sitting as a state board. The assessments of 1901 and 1902 have been made by the new board. In 1901 many hearings were given to delegations representing counties. A lesser number appeared in 1902. The totals of state and local assessments for a number of years past are as follows:

Year.	State assessments.	Local assessments.
1885.....	\$188,139,614	\$498,725,843
1886.....	496,507,152	503,085,254
1887.....	581,264,749	528,337,713
1888.....	573,229,855	538,366,287
1889.....	592,890,719	525,445,472
1890.....	623,859,417	579,839,542
1891.....	654,000,000	591,004,844
1892.....	654,000,000	602,448,219
1893.....	654,000,000	624,707,113
1894.....	600,000,000	632,699,128
1895.....	600,000,000	633,347,607
1896.....	600,000,000	629,735,508
1897.....	600,000,000	628,504,011
1898.....	600,000,000	630,721,497
1899.....	625,000,000	648,035,848
1900.....	630,000,000	746,022,932
1901.....	1,436,284,000	1,082,641,094
1902.....	1,504,346,000	1,369,811,147

The very large increase during the years 1901 and 1902 in the valuation fixed by the state board as well as in the local assessments is the direct result of the efforts made to secure a better compliance with the law. In arriving at the valuations the state board acted somewhat independently of the local assessments. As stated in the former report, nearly all local assessors used a ratio only of the true value for purposes of assessment, and this ratio varied in the different counties and in the different assessment districts within the same county. Using the local assessment for state assessment purposes would have rewarded those counties using a low ratio of assessment at the expense of those which more nearly approached a full value assessment. The greater the departure from compliance with lawful requirements to assess at full value the larger would have been the reward. This injustice the state board has endeavored to meet and this it has approximately succeeded in doing at least so far as the real property is concerned. As to personal property the difficulty arising from evasion and failure to discover certain classes and getting them on the assessment rolls has been overcome only in part. It is to be hoped that with closer local supervision those who have succeeded in shifting the public burdens from their own shoulders to those of their more honest and perhaps less prosperous neighbors will, during the next assessment season, be more adequately reached. As to personal property its discovery and listing must depend largely on the efficient work of assessors and county supervisors of assessments.

The local assessments of 1902 show very promising improvements, but it must be remembered that such assessments were not available to the state board in making its assessment this year. With the experience gained by the county supervisors of assessments during the first year of their service much greater progress can confidently be expected during the next season.

REAL ESTATE VALUATIONS.

As to the valuations of real estate the state board used the data of sales and assessed valuations of the same lands furnished to the secretary of state by the registers of deeds and county clerks.

• For the information of those to whom the first biennial report of the commission may not be available the method pursued will be briefly stated.

Section 1007, Stat. '98, is as follows:

"Each register of deeds shall annually, on or before the first day of September, make and transmit to the secretary of state a short detailed statement, in tabular form, of all the sales of real estate made and recorded in his county during the preceding year, except such as appear to be made for a nominal consideration, and those in which the description does not substantially correspond with the description in the assessment roll. Such statement shall show:

1. The date of conveyance.
2. A short description and the quantity of land conveyed thereby.
3. The consideration stated in said deed.
4. The assessed valuation of the property as shown by the last assessment roll, and file a duplicate thereof with the county clerk on or before the first day of October thereafter.

In such statement the sales shall be classified so as to show those in each section and in each town, city or village separately; and the county clerk shall cause an abstract of such statement showing the total number of acres and of platted lots in each town, city or village so sold, with the consideration and the assessed value in total to be printed and laid before the county board at its annual session in November in each year."

The above statute was first enacted in 1873, and Wisconsin is believed to have been the first state to enact such a law. For 27 years therefore (excluding 1885 for which no record can be found) a memorandum of each sale of real estate made for a *bona fide* consideration and recorded in the office of the register of deeds of the county where the lands are located has been filed in the office of the secretary of state. This is a very important statutory provision and has furnished much valuable information to the commission and to the state board.

The selling price of real estate must be taken as furnishing the truest and least prejudiced measure of its full value for purposes of assessment. During the 27 years that the law has been in force and of which the record is available, sales of 40,000,000 acres, in round numbers, of land as acre property have been recorded, or about 19 per cent. more than the total acreage of the state has been transferred. The acreage of the state, omitting government land, is about 34,000,000 acres. The acreage belonging to the federal government, including Indian reservations, was on June 30, 1902, 596,166 acres. Of this 365,353 acres are included in Indian reservations. The state still owns, in round numbers, 340,000 acres.

Section 1067, Statutes of 1898, provides that each county clerk shall file with the secretary of state annually an abstract of assessments in his county, containing, among other data, the number of acres of land assessed and the value thereof.

By comparing the consideration in the deeds with the assessed valuations of the same lands in the year of sale the total absence of anything like uniformity in valuations in the different assessment districts became very clear. Assessment districts within the same county differed widely. Frequently, where the assessor of one town had assessed at an average of, say, 30 per cent. of actual selling value, in the adjoining town the assessment might be on the basis of 75 per cent., or even more, of selling value.

Applying the test of comparing the assessed to the actual selling values the local assessments of 1899 varied in the different counties of the state from an average of 19 per cent. of selling value in the lowest assessed to an average of 91 per cent. of selling value in the highest assessed county. The investigation showed, however, that some measure of uniformity generally characterized the assessments in the same town or district through a period of years, even where assessors were frequently changed, each succeeding assessor as a rule seeming to follow in the footsteps of his predecessor in the valuation of property. This applies to the assessments prior to that of 1900. During the last three assessment seasons, under the instructions and supervision of the tax commission, and espe-

cially in 1902, under the local supervision of county supervisors of assessments, a more strict compliance with law has obtained throughout the state and assessors have broken away from the former practice of copying the assessments made by their predecessors.

The first assessment by the present state board was made upon the basis of sales from 1895 to 1899 inclusive, and the second assessment, that of 1902, upon the seven year period, from 1895 to 1901, inclusive. The board did not deem it safe to base its assessment upon the sales of a single year. The sales of a single year in many assessment districts are few in number and for that reason do not form a true criterion of average value. A period of five years would appear to be fairly adequate, but on account of the great change in assessments in some districts during 1900 and 1901 erratic ratios might to some extent disturb the averages of assessed to true value, and a longer period for the last assessment was deemed advisable as having a tendency to advance the valuations of the counties in more equitable relations to each other.

It is a matter of common knowledge and fully borne out by the reports of sales, as well as by some local assessments in 1901 and many more in 1902 where these were made at full value, that real estate has advanced very rapidly in value during the last few years. Especially is this true of the central part and northern half of the state which have been largely opened to agriculture during that period. The movement of population is still going into those sections. The state assessments of the last two years based upon the averages of a period in which land values have been constantly increasing must therefore necessarily be somewhat below the actual value at their respective dates. To illustrate:

The five counties showing the largest acreage sold in 1900 were:

	Acres.
Clark	111,772
Chippewa	104,381
Marathon	67,263
Sawyer	66,606
Taylor	64,609

In 1901 the sales ran as follows:

	Acres.
Sawyer	102,008
Chippewa	94,316
Clark	74,865
Marathon	73,201
Taylor	64,366

With the same plan of assessment pursued, dropping the earlier and adding later years to obtain averages of selling value, these counties and others similarly situated will necessarily show in the near future increased valuations far exceeding the average increase of the state.

The total number of acres sold in the state was, in 1900, 1,870,348, and, in 1901, 2,072,998, or 3,943,346 acres for the two years. The total acreage assessed in 1901 as reported to the secretary of state was 32,645,288 acres showing that more than 12 per cent. of the total assessed acreage of the state was transferred by sale and conveyance, apparently, at least, *bona fide*, during the years 1900 and 1901. This acreage does not include platted lands in cities and villages.

In using the data afforded by these sales it was the purpose and effort of the board to take such only as were actual *bona fide* sales with the true consideration stated in the conveyance and to eliminate all conveyances where the consideration was merely nominal or where it was abnormally high. In other words, the purpose was to use the sales made under normal conditions only. The same plan was followed in reference to city and village property. The computation was applied to each assessment district separately, necessitating a large amount of clerical work. In each instance the plan was to ascertain the consideration paid for lands sold in the assessment district, the assessed valuations of the same lands and the total assessed valuation of the district. It was assumed and seems fairly well-established that the individual assessor followed the same general plan and where he assessed at less than full value, endeavored to assess all the property in his district at the same ratio to full value.

From the three known quantities,—the consideration paid,

the assessed values of the lands sold, and the total assessed valuations of the district, the fourth or unknown quantity, the full valuation of the real estate of the district, was easily ascertained.

The formula would stand thus:

As the assessed valuation of the lands sold is to the consideration paid for them, so is the assessed valuation of the real estate of the entire district to the full market value thereof.

The total valuations of the different assessment districts of a county having been ascertained their sum would be the assessed valuation for the county.

With the exception of a few counties where abnormal conditions seemed to prevail the assessments for 1901 and 1902 were made on the plan indicated.

A closer scrutiny by the registers of deeds of the sales reported will materially enhance the value of these statistics, and with the assistance and advice of the local supervisors of assessments it would seem practicable to eliminate from future reports all unreliable data.

The state board has fixed the total valuation of the state during the last three years as follows:

1900	\$630,000,000
1901	1,436,284,000
1902	1,504,346,000

An increase in 1901 over the former year of 127.98 per cent. and an increase in 1902 over the assessment of 1901 of 4.73 per cent. Not including Milwaukee County the increase was in 1901, 126.53 per cent. and in 1902, 6.52 per cent.

The work of assessing officers was placed under the supervision and direction of the Tax Commission by the Act of 1899, and the practical effect of this change became apparent in the assessments of 1900, showing that year a material increase in local assessments, which increase has grown with each succeeding year. The four years, 1899-1902, inclusive, cover the transition period from undervalued assessments to the present endeavor to have all property placed upon the rolls at its full cash value.

The following tables illustrate the changes made:

- (1) In the valuations of counties by the state board.
- (2) In the valuation of counties by local assessing officers,
and
- (3) Increase in local assessments of subsequent years over
1899.
- (4) The changes made in the relation which each county
bears to the total state tax.

The following four tables contain the assessment of the state board by counties for the years 1899 to 1902 inclusive. It will be noticed that while the assessment of personal property increased from \$119,736,025 in 1899 to \$126,309,232.50 in 1900 that the real estate fell from \$505,263,975 to \$503,690,767.50.

In 1901 the members of the tax commission sitting as a state board of assessment increased the personal property to \$249,934,861, or 97 per cent., and the real estate to \$1,186,349,139, or 135 per cent.

In 1902 the same board assessed the personal property at \$277,969,027, an increase of 11 per cent. and the real estate at \$1,226,376,973, an increase of 3 per cent. over the previous year.

State Board Assessment — 1899.

Counties.	All personal property.	All real estate.	All property.
Adams	\$312,035 50	\$872,225	\$1,184,260 50
Aghland	1,102,650 50	3,879,296	4,981,946 50
Barron	680,216 50	1,317,417	1,997,633 50
Bayfield	742,018 00	4,098,655	4,840,673 00
Brown	1,759,890 50	7,424,353	9,184,243 50
Buffalo	756,949 00	1,804,645	2,561,594 00
Burnett	194,139 50	520,708	714,847 50
Calumet	895,538 00	5,286,995	6,182,533 00
Chippewa	1,407,178 50	5,992,087	7,399,265 50
Clark	806,639 00	3,154,898	3,961,537 00
Columbia	2,403,493 50	9,313,530	11,717,023 50
Crawford	699,721 50	1,692,720	2,392,441 50
Dane	5,436,776 00	22,554,122	27,990,898 00
Dodge	2,063,301 50	12,514,836	14,578,137 50
Door	698,535 00	2,100,934	2,799,469 00
Douglas	1,207,595 50	9,079,397	10,286,992 50
Dunn	1,315,775 50	3,179,334	4,495,109 50
Eau Claire	2,597,393 00	7,436,013	10,033,406 00
Florence	106,995 00	1,053,533	1,160,528 00
Fond du Lac	2,766,665 00	15,525,824	18,292,489 00
Forest	22,202 00	832,949	855,151 00
Grant	2,275,735 00	7,445,764	9,721,499 00
Green	2,470,194 50	7,473,282	9,943,476 50
Green Lake	1,066,767 00	3,951,707	5,018,474 00
Iowa	1,644,652 50	5,903,594	7,548,246 50
Iron	206,510 00	1,549,950	1,756,460 00
Jackson	630,733 00	1,626,824	2,257,557 00
Jefferson	2,248,094 50	9,881,679	12,129,773 50
Juneau	785,674 50	1,994,490	2,780,164 50
Kenosha	1,056,867 00	5,743,460	6,790,327 00
Kewaunee	883,490 00	3,316,845	4,200,335 00
La Crosse	2,995,435 00	12,734,624	15,730,059 00
Lafayette	1,242,712 00	5,206,079	6,448,791 00
Langlade	442,973 00	2,194,426	2,637,399 00
Lincoln	782,472 50	2,370,268	3,152,740 50
Manitowoc	1,852,262 00	10,783,870	12,636,132 00
Marathon	1,687,139 00	5,032,074	6,719,213 00
Marinette	1,655,846 00	4,746,519	6,402,365 00
Marquette	383,727 50	1,288,422	1,672,149 50
Milwaukee	25,812,421 00	117,380,792	143,193,213 00
Monroe	1,083,587 00	2,968,620	4,052,207 00
Oconto	766,738 00	2,215,975	2,982,713 00
Oneida	896,084 00	2,471,428	3,367,512 00
Outagamie	1,845,821 50	9,843,407	11,789,228 50
Ozaukee	896,489 50	5,555,016	6,451,505 50

State Board Assessment — 1899 — Continued.

Counties.	All personal property.	All real estate.	All property.
Pepin.....	\$310,117 50	\$860,200	\$1,170,317 50
Pierce	1,001,129 50	3,772,498	4,773,627 50
Polk.....	679,151 00	2,058,429	2,737,580 00
Portage.....	1,010,774 50	4,644 004	5,654,778 50
Price	374,720 00	1,223,808	1,598,528 00
Racine	3,082,933 00	14,890,627	17,973,560 00
Richland	1,008,729 00	2,961,377	3,970,106 00
Rock	3,841,725 50	16,654,629	20,496,354 50
St. Croix.....	1,157,518 00	5,195,776	6,353,294 00
Sauk	2,125,821 00	7,722,180	9,848,001 00
Sawyer	93,264 50	1,288,636	1,381,800 50
Shawano	765,387 00	2,581,302	3,346,689 00
Sheboygan.....	3,021,233 50	16,571,628	19,592,861 50
Taylor	269,193 50	1,479,941	1,749,134 50
Trempealeau	1,085,590 00	3,058,741	4,144,331 00
Vernon	1,373,794 50	2,999,927	4,373,721 50
Vilas	106,747 00	816,622	923,369 00
Walworth.....	3,265,463 00	13,347,423	16,612,886 00
Washburn	142,229 00	552,974	695,204 00
Washington.....	1,682,436 00	10,011,787	11,694,223 00
Waukesha	3,026,668 00	15,108,716	18,135,384 00
Waupaca	1,360,537 00	4,291,442	5,651,979 00
Waushara	694,500 00	1,695,978	2,390,478 00
Winnebago.....	3,971,602 50	15,599,895	19,571,497 50
Wood	696,626 00	2,471,848	3,168,474 00
Total	\$119,736,025 00	\$505,263,975	\$625,000,000 00

State Board Assessment—1900.

Counties.	All personal property.	All real estate.	All property.
Adams	\$332,172 50	\$872,225 00	\$1,204,400 50
Ashland	1,217,444 00	3,665,467 00	4,882,911 00
Barron	729,317 50	1,389,424 00	2,118,741 50
Bayfield	865,965 00	3,633,736 00	4,499,701 00
Brown	1,816,808 00	7,589,149 00	9,405,957 00
Buffalo	787,324 50	1,934,086 00	2,721,410 50
Burnett	212,504 00	488,436 00	700,940 00
Calumet	902,579 50	5,139,916 00	6,042,495 50
Chippewa	1,690,794 00	5,414,666 00	7,105,460 00
Clark	866,534 50	3,061,156 00	3,927,690 50
Columbia	2,523,557 00	9,041,916 00	11,565,473 00
Crawford	702,094 00	1,692,720 00	2,394,814 00
Dane	5,635,778 50	21,960,827 00	27,596,605 50
Dodge	2,132,141 50	12,448,401 00	14,580,542 50
Door	736,862 50	2,091,612 00	2,828,474 50
Douglas	1,253,610 00	9,599,453 00	10,853,063 00
Dunn	1,355,801 50	3,179,572 00	4,535,373 50
Eau Claire	2,668,875 50	6,176,452 00	8,845,327 50
Florence	92,103 00	908,859 00	1,000,962 00
Fond du Lac	2,792,453 00	15,130,379 00	17,922,832 00
Forest	32,199 00	1,079,665 00	1,111,864 00
Grant	2,421,150 00	7,295,019 00	9,716,169 00
Green	2,555,354 00	7,473,282 00	10,028,636 00
Green Lake	1,096,455 50	3,941,672 00	5,038,127 50
Iowa	1,881,028 50	5,903,594 00	7,784,622 50
Iron	231,451 50	1,632,418 00	1,863,869 50
Jackson	672,855 50	1,710,447 00	2,383,302 50
Jefferson	2,277,374 50	9,713,130 00	11,990,504 50
Juneau	778,416 50	2,035,709 00	2,814,125 50
Kenosha	1,039,936 50	5,740,677 00	6,780,613 50
Kewaunee	912,231 00	2,979,132 00	3,891,363 00
La Crosse	3,050,817 50	11,547,596 00	14,598,413 50
Lafayette	1,302,012 00	5,471,056 00	6,773,068 00
Langlade	513,034 00	1,907,640 00	2,420,674 00
Lincoln	987,253 50	2,029,334 00	3,016,587 50
Manitowoc	1,882,276 50	10,688,167 00	12,570,443 50
Marathon	1,767,606 00	4,868,103 00	6,635,709 00
Marinette	1,826,513 50	4,512,486 00	6,338,999 50
Marquette	396,807 50	1,336,207 00	1,733,014 50
Milwaukee	28,097,407 50	123,160,370 50	151,257,778 00
Monroe	1,100,606 00	3,201,786 00	4,302,392 00
Oconto	866,476 00	2,127,446 00	2,993,922 00
Oneida	1,054,819 00	2,471,428 00	3,526,247 00
Outagamie	1,953,538 00	9,943,407 00	11,896,945 00
Ozaukee	903,415 50	5,330,529 00	6,233,944 50

State Board Assessment — 1900 — Continued.

Counties.	All personal property.	All real estate.	All property.
Pepin.....	\$314,329 00	\$839,499 00	\$1,153,828 00
Pierce.....	1,018,704 00	3,570,244 00	4,588,948 00
Polk.....	699,070 00	1,984,606 00	2,683,676 00
Portage.....	1,128,197 00	4,537,849 00	5,666,046 00
Price.....	294,208 50	1,052,719 00	1,346,927 50
Racine.....	3,096,475 00	14,855,529 00	17,952,004 00
Richland..	993,414 00	2,853,336 00	3,846,750 00
Rock.....	4,229,107 50	16,621,966 00	20,851,073 50
St. Croix.....	1,172,282 50	4,990,976 00	6,163,258 50
Sauk.....	2,224,661 50	7,574,582 00	9,799,243 50
Sawyer.....	84,216 00	952,238 00	1,036,454 00
Shawano.....	816,364 50	2,546,586 00	3,362,950 50
Sheboygan	3,051,877 50	15,809,707 00	18,861,584 50
Taylor.....	301,260 50	1,462,638 00	1,763,898 50
Trempealeau	1,094,174 00	3,000,882 00	4,095,056 00
Vernon.....	1,438,762 50	3,217,693 00	4,656,455 50
Vilas.....	111,012 00	842,187 00	953,199 00
Walworth.....	3,314,804 00	13,242,139 00	16,556,943 00
Washburn.....	167,913 00	514,791 00	682,704 00
Washington.....	1,693,047 00	9,230,286 00	10,923,333 00
Waukesha.....	3,060,329 00	14,972,842 00	18,033,171 00
Waupaca.....	1,709,889 00	5,331,333 00	7,041,227 00
Waushara.....	711,797 00	2,037,909 00	2,749,706 00
Winnebago.....	3,936,041 50	15,599,895 00	19,535,936 50
Wood.....	731,538 00	2,529,578 00	3,261,116 00
Total	\$126,309,232 50	\$503,690,767 50	\$630,000,000 00

State Board Assessment—1901.

Counties.	All personal property.	All real estate.	All property.
Adams	\$463,216	\$2,110,204	\$2,573,420
Ashland	1,549,524	6,794,457	8,343,981
Barron	1,127,054	4,380,784	5,507,838
Bayfield	1,760,468	8,781,261	10,541,729
Brown	4,064,595	18,406,741	22,471,336
Buffalo	1,452,077	5,784,112	7,236,189
Burnett	301,114	1,294,990	1,596,104
Calumet	1,734,923	10,512,102	12,247,025
Chippewa	1,920,631	8,471,380	10,392,011
Clark	1,449,080	8,417,245	9,866,325
Columbia	4,106,571	19,585,485	23,692,056
Crawford	905,835	3,661,63	4,566,988
Dane	12,024,881	53,978,897	66,003,778
Dodge	6,723,227	40,060,196	46,783,423
Door	989,540	4,198,767	5,188,307
Douglas	3,978,704	23,262,734	27,241,438
Dunn	2,134,192	7,974,420	10,108,612
Eau Claire	2,608,140	10,006,057	12,674,197
Florence	328,866	2,181,563	2,510,429
Fond du Lac	6,150,070	34,000,144	40,150,214
Forest	308,495	2,807,624	3,116,119
Gates	287,237	2,126,616	2,413,753
Grant	4,608,448	21,350,187	25,958,635
Green	5,108,080	19,349,684	24,457,764
Green Lake	2,184,495	10,292,600	12,477,095
Iowa	2,697,924	11,845,246	14,543,170
Iron	653,376	3,645,151	4,298,527
Jackson	1,074,096	4,429,123	5,503,219
Jefferson	5,792,716	28,003,419	33,796,135
Juneau	1,436,004	5,943,714	7,379,718
Kenosha	3,139,012	15,629,325	18,768,337
Kewaunee	1,130,644	5,939,737	7,070,381
La Crosse	6,406,340	26,474,236	32,880,576
Lafayette	2,711,678	15,238,224	17,949,902
Langlade	730,137	3,623,852	4,353,989
Lincoln	948,705	4,022,360	4,971,065
Manitowoc	4,054,585	22,247,235	26,301,820
Marathon	2,344,836	10,370,297	12,715,133
Marinette	2,450,063	9,445,523	11,895,586
Marquette	695,278	3,539,980	4,235,258
Milwaukee	61,747,117	290,048,012	351,795,129
Monroe	1,855,885	8,454,222	10,310,107
Oconto	1,223,423	6,156,053	7,379,476
Oneida	964,115	4,924,229	5,888,344
Outagamie	4,961,343	26,037,894	30,999,237

State Board Assessment — 1901—Continued.

Counties.	All personal property.	All real estate.	All property.
Ozaukee	\$2,107,391	\$12,347,789	\$14,455,180
Pepin	425,858	1,955,975	2,381,833
Pierce	1,802,026	8,815,607	10,617,633
Polk	945,579	4,656,046	5,601,625
Portage	2,073,583	10,200,274	12,273,857
Price	511,992	3,042,469	3,554,461
Racine	6,327,571	29,351,397	35,678,968
Richland	1,475,000	6,666,492	8,141,492
Rock	9,274,070	40,516,992	49,791,062
St. Croix	1,805,153	9,287,206	11,092,359
Sauk	3,688,435	16,117,123	19,805,558
Sawyer	365,751	2,560,260	2,926,011
Shawano	1,173,140	6,010,886	7,184,026
Sheboygan	6,637,466	32,910,348	39,547,814
Taylor	587,976	3,847,689	4,435,665
Trempealeau	1,815,425	7,425,938	9,241,363
Vernon	2,222,596	8,578,227	10,800,823
Vilas	429,043	2,338,975	2,768,018
Walworth	6,725,380	30,143,690	36,869,070
Washburn	428,656	1,803,926	2,232,582
Washington	3,186,442	18,794,449	21,980,891
Waukesha	6,981,084	35,806,239	42,787,323
Waupaca	2,215,709	9,774,825	11,990,534
Waushara	1,138,598	5,332,466	6,471,064
Winnebago	8,870,909	35,887,976	44,758,885
Wood	1,373,288	6,368,730	7,742,018
Totals	\$249,934,861	\$1,186,349,139	\$1,436,284,000

State Board Assessment — 1902.

Counties.	All personal property.	All real estate.	All property.
Adams	\$575,280	\$2,430,361	\$3,005,641
Ashland	1,696,926	7,100,770	8,797,696
Barron	1,510,326	5,488,777	6,999,103
Bayfield	1,989,162	9,111,074	11,100,236
Brown	4,885,896	20,177,235	25,063,131
Buffalo	1,771,371	6,963,740	8,735,111
Burnett	348,617	1,405,129	1,753,746
Calumet	1,955,550	11,180,680	13,136,230
Chippewa	2,265,298	9,644,555	11,909,853
Clark	1,884,687	9,729,664	11,614,351
Columbia	4,847,045	21,278,849	26,125,894
Crawford	1,112,436	4,283,692	5,396,128
Dane	13,897,951	57,266,795	71,164,746
Dodge	7,468,277	41,615,979	49,084,256
Door	1,145,703	4,489,324	5,635,027
Douglas	3,753,164	20,481,384	24,234,548
Dunn	2,347,358	8,180,525	10,527,883
Eau Claire	3,049,209	10,508,110	13,557,319
Florence	324,636	2,002,505	2,327,141
Fond du Lac	6,661,697	33,219,982	39,881,679
Forest	345,638	2,997,085	3,342,723
Gates	481,948	2,641,502	3,123,450
Grant	5,465,863	23,481,886	28,947,749
Green	5,762,518	20,045,814	25,808,332
Green Lake	2,489,000	10,767,132	13,256,132
Iowa	3,605,296	14,167,825	17,773,121
Iron	700,608	3,764,711	4,465,319
Jackson	1,179,511	4,828,679	6,008,190
Jefferson	6,440,968	28,181,252	34,622,220
Juneau	1,802,818	7,043,118	8,845,936
Kenosha	3,467,110	15,761,319	19,228,429
Kewaunee	1,310,302	6,472,434	7,782,736
La Crosse	6,811,861	25,367,738	32,179,599
Lafayette	3,110,882	15,989,782	19,100,664
Langlade	798,229	4,025,044	4,823,273
Lincoln	1,345,625	4,501,192	5,846,817
Manitowoc	4,726,106	23,962,217	28,688,323
Marathon	2,755,136	11,224,996	13,980,132
Marinette	2,961,538	10,874,218	13,835,756
Marquette	893,094	3,768,150	4,661,244
Milwaukee	63,150,192	285,932,456	349,082,648
Monroe	2,280,988	9,839,250	12,120,238
Oconto	1,419,240	6,390,149	7,809,389
Oneida	1,267,593	5,794,054	7,061,647
Outagamie	5,609,764	26,451,994	32,061,758

State Board Assessment—1902—Continued.

Counties.	All personal property.	All real estate.	All property.
Ozaukee	\$2,318,762	\$12,676,671	\$14,995,433
Pepin	512,462	2,228,960	2,741,422
Pierce	2,083,562	8,812,353	10,895,915
Polk	1,168,584	5,230,980	6,399,564
Portage	2,442,938	10,782,526	13,225,464
Price	638,386	3,254,625	3,893,011
Racine	7,079,610	29,682,321	36,761,931
Richland	1,721,816	7,188,478	8,910,294
Rock	10,177,017	40,889,778	51,066,795
St. Croix	2,076,802	9,918,282	11,995,084
Sauk	4,301,672	17,483,364	21,785,036
Sawyer	382,062	2,512,349	2,894,411
Shawano	1,446,304	6,741,771	8,188,075
Sheboygan	7,675,706	34,022,858	41,698,564
Taylor	708,628	4,308,831	5,017,459
Trempealeau	2,064,254	7,994,739	10,058,993
Vernon	2,715,386	9,867,792	12,583,178
Vilas	499,167	2,538,975	3,038,142
Walworth	7,462,864	31,078,088	38,540,952
Washburn	616,147	2,165,557	2,781,704
Washington	3,566,741	19,520,460	23,087,201
Waukesha	7,426,375	35,462,137	42,888,512
Waupaca	2,358,592	11,334,988	13,693,580
Waushara	1,360,427	5,971,607	7,332,034
Winnebago	9,724,395	36,316,946	46,041,341
Wood	1,767,951	7,558,410	9,326,361
Total	\$277,969,027	\$1,226,376,973	\$1,504,346,000

In the following tables are given the valuations by local assessors for the same years, 1899 to 1902, inclusive. They include the year preceding the commencement of the supervision of assessing officers by the tax commission and show the stages of advance in valuations and closer assessments since prevailing. The personal property shows a total increase in the state from \$119,463,607 in 1899 to \$146,482,337 in 1900, an increase of 22 per cent. The real estate for the same period was increased from \$528,572,241 to \$599,540,595, or 13 per cent.

In 1901 the local assessments make the total of personal property \$203,729,746, an increase of 39 per cent. and the total of real estate \$878,911,348, an increase of 46 per cent. over the year 1900.

In 1902 the total assessment of personal property reached \$283,587,741, an increase of 39 per cent. and real estate, \$1,086,223,406, an increase of 23 per cent. over the previous year.

Value by Local Assessors — 1899.

Counties.	All personal property.	All real property.	All property.
Adams	\$199,475	\$857,756	\$1,057,231
Ashland	1,193,518	3,665,467	4,858,985
Barron	483,717	1,323,262	1,806,979
Bayfield	847,731	3,633,736	4,481,467
Brown	1,773,715	7,342,811	9,116,526
Buffalo	546,247	1,758,260	2,304,507
Burnett	173,262	488,436	661,698
Calumet	783,455	5,139,916	5,923,371
Chippewa	1,573,825	5,914,666	7,488,491
Clark	519,462	2,961,156	3,480,618
Columbia	2,253,115	9,041,916	11,295,031
Crawford	517,973	1,757,673	2,275,646
Dane	5,565,283	21,960,827	27,526,110
Dodge	1,849,800	12,448,401	14,298,201
Door	642,146	2,091,612	2,733,758
Douglas	1,239,418	11,145,918	12,385,336
Dunn	1,092,180	3,057,139	4,149,319
Eau Claire	2,598,288	7,157,041	9,755,329
Florence	82,910	908,859	991,769
Fond du Lac	2,653,422	15,130,379	17,783,801
Forest	28,729	1,079,665	1,108,394
Grant	1,783,430	6,750,494	8,533,924
Green	2,790,475	6,873,557	9,664,032
Green Lake	912,409	3,822,942	4,735,351
Iowa	3,375,644	10,812,897	14,188,541
Iron	225,513	1,619,867	1,845,380
Jackson	520,317	1,758,636	2,278,953
Jefferson	2,202,002	9,713,130	11,915,132
Juneau	545,100	1,954,726	2,499,826
Kenosha	1,006,601	5,590,939	6,597,540
Kewaunee	720,661	3,282,976	4,003,637
La Crosse	3,004,141	12,343,831	15,347,972
Lafayette	933,676	4,985,558	5,919,234
Langlade	440,558	2,119,600	2,560,158
Lincoln	1,538,134	2,053,463	3,591,597
Manitowoc	1,679,971	10,688,167	12,368,138
Marathon	1,476,374	4,868,103	6,344,477
Marinette	1,737,889	4,512,486	6,250,375
Marquette	269,695	1,235,050	1,504,745
Milwaukee	28,523,455	142,743,612	171,267,067

Value by local assessors — 1899 — Continued.

Counties.	All personal property.	All real property.	All property.
Monroe	\$699,552	\$2,910,716	\$3,610,268
Oconto	662,641	2,127,446	2,790,087
Oneida	1,069,388	2,803,047	3,872,435
Outagamie	1,650,075	9,686,747	11,336,822
Ozaukee	861,776	5,652,512	6,514,288
Pepin	212,934	839,499	1,052,433
Pierce	897,966	3,570,244	4,468,210
Polk	500,993	1,984,606	2,485,599
Portage	1,046,700	4,537,849	5,584,549
Price	252,468	1,052,719	1,305,187
Racine	3,087,954	14,855,529	17,943,483
Richland	784,641	2,853,336	3,637,977
Rock	4,063,319	16,096,767	20,160,086
St. Croix	1,028,953	4,990,976	6,019,929
Sauk	2,100,447	7,574,582	9,675,029
Sawyer	79,385	952,238	1,031,623
Shawano	531,590	2,546,586	3,081,176
Sheboygan	2,985,457	16,100,381	19,085,838
Taylor	199,589	1,443,169	1,642,758
Trempealeau	850,994	2,792,599	3,643,593
Vernon	1,018,838	2,896,291	3,915,129
Vilas	92,517	765,625	858,142
Walworth	3,467,891	13,048,007	16,515,898
Washburn	132,925	465,904	598,829
Washington	1,583,281	10,191,201	11,774,482
Waukesha	2,930,672	14,680,544	17,611,216
Waupaca	1,432,060	5,082,685	6,514,745
Waushara	543,921	2,061,288	2,605,209
Winnebago	3,858,985	15,202,769	19,061,754
Wood	528,979	2,211,449	2,740,428
Total	\$119,463,607	\$528,572,241	\$648,035,848

Value by local assessors—1900.

Counties.	All personal property.	All real estate.	All property.
Adams	\$516,532	\$1,930,084	\$2,446,616
Ashland	1,372,786	3,745,958	5,118,744
Barron	1,002,624	2,532,188	3,534,812
Bayfield	929,245	3,395,094	4,324,339
Brown	1,900,896	7,574,982	9,475,878
Buffalo	865,548	2,920,569	3,786,117
Burnett	199,549	505,642	705,191
Calumet	798,914	4,946,336	5,745,250
Chippewa	1,648,701	6,383,004	8,031,705
Clark	1,655,007	7,259,841	8,914,848
Columbia	2,660,330	9,515,156	12,175,486
Crawford	615,445	1,777,362	2,392,807
Dane	6,326,292	24,119,379	30,445,671
Dodge	1,939,061	12,502,759	14,441,820
Door	908,538	2,572,732	3,481,270
Douglas	1,500,233	12,924,926	14,425,159
Dunn	1,784,397	4,684,642	6,469,039
Eau Claire	2,306,840	7,150,419	9,457,259
Florence	101,378	1,061,629	1,163,007
Fond du Lac	3,194,082	16,715,974	19,910,056
Forest	35,084	1,020,457	1,055,541
Grant	2,048,878	7,327,547	9,376,425
Green	2,946,455	6,912,800	9,859,255
Green Lake	895,382	3,765,960	4,661,342
Iowa	3,396,652	10,951,410	14,348,062
Iron	216,136	1,578,639	1,794,775
Jackson	591,415	2,062,438	2,653,853
Jefferson	2,307,038	9,735,232	12,042,270
Juneau	1,000,807	3,763,461	4,764,268
Kenosha	1,073,220	5,674,719	6,747,939
Kewaunee	772,254	3,345,051	4,117,305
La Crosse	3,696,784	12,739,987	16,436,771
La Fayette	1,213,624	5,859,506	7,073,130
Langlade	739,502	2,732,995	3,472,497
Lincoln	1,461,109	2,557,184	4,018,293
Manitowoc	3,179,995	16,895,070	20,075,065
Marathon	1,804,788	5,400,738	7,205,526
Marinette	2,026,028	6,355,325	8,381,353
Marquette	351,163	1,463,547	1,814,710
Milwaukee	31,522,082	146,137,553	177,659,635
Monroe	2,350,486	8,382,622	10,733,108
Oconto	792,634	2,650,956	3,443,590
Oneida	1,067,033	2,931,809	3,998,842
Outagamie	1,933,820	10,472,510	12,406,330
Ozaukee	1,213,114	6,868,191	8,081,305

Value by local assessors — 1900 — Continued.

Counties.	All personal property.	All real estate.	All property.
Pepin	\$243,201	\$875,635	\$1,118,836
Pierce	1,297,947	4,779,159	6,077,106
Polk	719,712	2,293,389	3,013,101
Portage	1,181,085	4,413,963	5,595,048
Price	395,099	1,223,695	1,618,794
Racine	3,402,327	15,384,381	18,786,708
Richland	1,105,823	3,315,352	4,421,175
Rock	4,938,967	18,830,840	23,769,807
St. Croix	1,270,055	5,236,133	6,506,188
Sauk	2,276,901	7,753,045	10,029,946
Sawyer	86,805	877,048	963,853
Shawano	1,031,533	3,748,646	4,780,179
Sheboygan.....	5,760,821	23,045,088	28,805,909
Taylor	236,255	1,485,453	1,721,708
Trempealeau.....	922,624	2,863,192	3,785,816
Vernon.....	1,526,467	4,220,156	5,746,623
Vilas	86,816	829,770	916,586
Walworth	3,866,422	13,151,136	17,017,558
Washburn	133,674	563,854	697,528
Washington.....	2,442,574	13,684,090	16,126,664
Waukesha.....	2,865,742	14,732,738	17,598,480
Waupaca.....	3,565,151	10,029,883	13,595,034
Waushara	716,803	2,472,969	3,189,772
Winnebago	4,109,165	15,382,318	19,491,483
Wood.....	1,438,487	6,544,279	7,982,766
Total	\$146,482,337	\$599,540,595	\$746,022,932

Value by local assessors — 1900.

Counties.	All personal property.	All real estate.	All property.
Adams	\$516,522	\$1,830,084	\$2,446,616
Ashland	1,372,786	3,745,858	5,118,744
Barron	1,002,624	2,532,188	3,534,812
Bayfield	929,245	3,395,094	4,324,339
Brown	1,900,896	7,574,982	9,475,878
Buffalo	865,548	2,920,569	3,786,117
Burnett	199,549	505,642	705,191
Calumet	798,914	4,946,336	5,745,250
Chippewa	1,648,701	6,383,004	8,031,705
Clark	1,655,007	7,259,841	8,914,848
Columbia	2,660,330	9,515,156	12,175,486
Crawford	615,445	1,777,362	2,392,807
Dane	6,326,292	24,119,379	30,445,671
Dodge	1,939,061	12,502,759	14,441,820
Dor	908,538	2,572,732	3,481,270
Douglas	1,500,233	12,924,926	14,425,159
Dunn	1,784,397	4,684,642	6,469,039
Eau Claire	2,306,840	7,150,419	9,457,259
Florence	101,378	1,061,629	1,163,007
Fond du Lac	3,194,082	16,715,974	19,910,056
Forest	35,084	1,020,457	1,055,541
Grant	2,048,878	7,327,547	9,376,425
Green	2,946,455	6,912,800	9,859,255
Green Lake	895,382	3,765,960	4,661,342
Iowa	3,306,652	10,951,410	14,348,062
Iron	216,136	1,578,639	1,794,775
Jackson	591,415	2,062,438	2,653,853
Jefferson	2,307,038	9,735,232	12,042,270
Juneau	1,000,807	3,763,461	4,764,268
Kenosha	1,073,220	5,674,719	6,747,939
Kewaunee	772,254	3,345,051	4,117,305
La Crosse	3,606,784	12,739,987	16,346,771
La Fayette	1,213,624	5,859,506	7,073,130
Langlade	739,502	2,732,995	3,472,497
Lincoln	1,461,109	2,557,184	4,018,293
Manitowoc	3,179,995	16,895,070	20,075,065
Marathon	1,804,788	5,400,738	7,205,526
Marinette	2,026,028	6,355,325	8,381,353
Marquette	351,163	1,463,547	1,814,710
Milwaukee	31,522,082	146,137,553	177,659,635
Monroe	2,350,486	8,382,622	10,733,108
Oconto	792,634	2,650,956	3,443,590
Oneida	1,067,033	2,931,809	3,998,842
Outagamie	1,933,820	10,472,510	12,406,330
Ozaukee	1,213,114	6,968,191	8,081,305

Value by local assessors — 1901.

Counties.	All personal property.	All real estate.	All property.
Adams	\$536,975	\$2,023,695	\$2,560,670
Ashland	3,169,452	6,856,102	10,125,554
Barron	1,710,187	5,173,307	6,883,494
Bayfield	2,304,925	6,405,571	8,710,496
Brown	1,958,291	7,665,425	9,623,716
Buffalo	1,791,399	6,289,691	8,081,090
Burnett	289,449	939,641	1,229,090
Calumet	2,065,902	11,076,353	13,142,255
Chippewa	2,288,877	8,072,552	10,361,429
Clark	2,053,005	9,345,090	11,398,095
Columbia	5,237,415	21,245,619	26,483,034
Crawford	1,185,890	4,299,802	5,485,692
Dane	8,732,668	40,189,598	48,922,266
Dodge	4,743,039	34,075,764	38,818,803
Door	910,769	2,925,862	3,836,631
Douglas	2,535,915	16,108,871	18,644,786
Dunn	1,352,856	4,496,853	5,849,709
Eau Claire	2,783,131	8,325,062	11,108,193
Florence	103,918	1,096,215	1,200,133
Fond du Lac	3,751,463	21,074,453	24,825,916
Forest	112,613	1,714,437	1,827,050
Gates	209,339	1,955,047	2,164,386
Grant	4,881,064	18,056,819	22,937,883
Green	4,899,777	15,601,626	20,501,403
Green Lake	1,004,487	4,185,561	5,190,048
Iowa	3,917,366	12,551,622	16,468,988
Iron	255,702	1,871,438	2,127,140
Jackson	1,353,522	5,002,793	6,356,315
Jefferson	5,825,975	23,818,823	29,644,798
Juneau	1,172,892	5,236,184	6,409,076
Kenosha	1,704,410	9,175,898	10,880,308
Kewaunee	1,165,113	5,584,778	6,749,891
La Crosse	3,978,133	13,099,046	17,077,179
Lafayette	1,996,710	10,873,364	12,870,074
Langlade	870,955	4,229,054	5,100,009
Lincoln	1,985,203	4,755,037	6,740,240
Manitowoc	2,900,129	16,033,732	18,933,861
Marathon	3,042,222	10,341,796	13,384,018
Marinette	2,098,858	6,388,071	8,486,929
Marquette	750,658	2,948,458	3,699,116
Milwaukee	32,813,382	163,423,787	196,237,169
Monroe	2,474,361	9,535,475	12,009,836
Oconto	1,612,992	5,443,285	7,056,277
Oneida	1,085,251	2,756,614	3,841,865
Outagamie	4,216,537	24,448,591	28,665,128

Value by local assessors — 1901 — Continued.

Counties.	All personal property.	All real estate.	All property.
Ozaukee	\$1,884,697	\$10,685,048	\$12,569,745
Pepin	638,724	2,460,799	3,099,523
Pierce	1,920,091	7,377,479	9,297,570
Polk	1,270,865	4,199,279	5,470,144
Portage	2,140,369	7,271,258	9,411,627
Price	905,496	2,837,268	3,742,764
Racine	3,885,434	19,917,945	23,803,379
Richland	2,053,545	8,021,880	10,075,425
Rock	7,948,013	34,421,580	42,372,593
St. Croix	2,259,918	7,972,637	10,232,555
Sauk	3,055,379	10,390,578	13,445,957
Sawyer	176,950	1,628,034	1,804,984
Shawano	1,982,949	6,739,804	8,722,753
Sheboygan	6,069,982	26,820,941	32,890,923
Taylor	556,124	3,324,357	3,880,481
Trempealeau	2,377,236	8,344,687	10,721,923
Vernon	2,815,479	8,877,916	11,693,395
Vilas	251,269	1,516,071	1,767,340
Walworth	6,325,881	24,193,901	30,519,782
Washburn	372,773	1,796,165	2,168,938
Washington	2,598,666	15,394,250	17,992,916
Waukesha	3,540,483	17,898,596	21,439,079
Waupaca	3,108,138	10,901,267	14,009,405
Waushara	1,383,864	5,304,135	6,687,999
Winnebago	6,584,112	25,768,125	32,352,237
Wood	1,790,132	8,027,486	9,817,618
Total	\$203,729,746	\$878,911,348	\$1,082,641,094

Value by local assessors — 1902.

Counties.	All personal property.	All real estate.	All property.
Adams	\$792,795	\$3,027,801	\$3,820,596
Ashland	3,374,089	7,788,789	11,162,878
Barron	2,572,509	7,672,814	10,245,323
Bayfield	2,433,021	7,588,207	10,021,231
Brown	5,269,794	21,208,519	26,478,313
Buffalo	1,821,961	6,299,225	8,121,186
Burnett	500,133	1,824,535	2,324,668
Calumet	2,899,489	12,084,672	14,984,161
Chippewa	5,093,097	11,581,570	16,674,667
Clark	3,049,081	14,896,762	17,945,843
Columbia	6,663,699	23,720,789	30,384,488
Crawford	1,790,408	5,210,296	7,000,704
Dane	12,041,318	52,974,798	65,016,216
Dodge	7,219,656	37,575,393	44,795,049
Door	1,403,676	4,396,570	5,800,246
Douglas	2,042,951	14,187,296	16,230,247
Dunn	2,767,235	7,428,096	10,195,331
Eau Claire	4,576,202	11,418,086	15,994,288
Florence	255,626	1,458,863	1,714,489
Fond du Lac	7,718,551	38,083,311	45,801,862
Forest	208,339	2,852,522	3,060,861
Gates	463,132	3,337,985	3,801,117
Grant	9,093,637	23,498,000	32,591,637
Green	6,617,317	16,825,143	23,442,490
Green Lake	2,608,639	10,134,425	12,743,064
Iowa	5,014,925	16,162,684	21,177,609
Iron	561,604	2,160,302	2,721,906
Jackson	1,965,593	7,028,558	8,994,151
Jefferson	6,191,021	26,332,715	32,523,736
Juneau	2,097,081	8,612,855	10,709,936
Kenosha	4,503,056	17,367,571	21,870,627
Kewaunee	1,743,759	7,097,460	8,841,219
La Crosse	8,165,951	19,028,957	27,194,908
Lafayette	4,923,101	17,981,270	22,904,371
Langlade	1,228,843	6,223,192	7,452,035
Lincoln	2,291,227	5,934,248	8,225,475
Manitowoc	5,619,182	24,408,394	30,027,576
Marathon	3,967,844	14,598,067	18,565,911
Marinette	3,404,448	9,473,938	12,878,386
Marquette	1,038,254	3,527,699	4,565,953
Milwaukee	36,481,710	167,692,874	204,174,584
Monroe	3,667,392	12,822,431	16,489,823
Oconto	2,076,781	7,482,027	9,558,808
Oneida	1,219,723	3,065,398	4,285,121
Outagamie	5,764,046	26,690,305	32,454,351

Value by local assessors — 1902 — Continued.

Counties.	All personal property.	All real estate.	All property.
Ozaukee	\$2,611,161	\$12,526,222	\$15,137,383
Pepin	741,474	2,748,632	3,490,106
Pierce	2,450,170	8,242,451	10,692,621
Polk	1,776,357	5,869,849	7,646,206
Portage	2,739,593	9,360,353	12,099,946
Price	1,165,967	4,830,544	5,996,511
Racine	5,609,051	26,603,517	32,212,568
Richland	2,147,668	7,796,925	9,944,593
Rock	8,013,278	33,977,763	42,021,041
St. Croix	3,413,159	11,293,201	14,736,360
Sauk	4,827,597	17,059,650	21,887,447
Sawyer	268,618	3,535,560	3,804,178
Shawano	2,617,809	9,329,428	11,977,237
Sheboygan	8,107,476	30,524,419	38,631,895
Taylor	1,289,390	4,553,346	5,842,736
Trempealeau	2,482,179	8,182,095	10,664,274
Vernon	3,607,431	10,892,750	14,500,181
Vilas	360,694	2,185,300	2,556,074
Walworth	6,430,587	24,684,779	31,115,366
Washburn	605,453	2,413,999	3,049,452
Washington	4,118,145	18,521,938	22,640,083
Waukesha	4,319,820	19,066,644	23,416,464
Waupaca	4,032,360	12,470,262	16,502,622
Waushara	2,433,178	7,859,233	10,292,411
Winnebago	9,358,913	30,533,573	39,892,486
Wood	2,738,181	10,355,281	13,093,465
Total	\$233,587,741	\$1,086,223,406	\$1,309,811,147

It will be observed that there are some variations in the foregoing tables for the years 1899 and 1900 from the figures given in table, "Appendix A," in the first biennial report of the commission. That report was prepared before the compilation for the years named were perfected in the office of the secretary of state. The present tables are based upon such compilations. The discrepancies are so slight that it has not been deemed important to determine whether the errors occur in "Appendix A" or the data forming the basis for the present tables.

The increase in local assessments from 1899 to 1902 is, of personal property, 137 per cent. and of real estate 105 per cent.

The ratio of increase by counties of local assessments for each year, 1900 to 1902 inclusive, over the year 1899, appears in the following table:

Increase in local assessments of subsequent years over 1899.

Counties.	1900. (Per cent.)	1901. (Per cent.)	1902. (Per cent.)
Adams	131.41	142.21	261.38
Ashland	5.34	108.39	129.74
Barron	95.62	280.94	467.10
Bayfield	¹ 3.50	94.37	123.63
Brown	3.82	5.56	190.44
Buffalo	61.29	250.69	252.40
Burnett	6.57	85.75	251.32
Calumet	¹ 3.00	121.87	152.97
Chippewa	7.25	38.36	² 222.68
Clark	164.54	227.47	415.59
Columbia	7.79	134.47	169.01
Crawford	5.14	141.06	207.64
Dane	10.60	77.73	136.20
Dodge	1.04	171.49	213.29
Door	27.34	40.34	112.17
Douglas	16.47	50.53	31.04
Dunn	55.90	40.98	145.71
Eau Claire	¹ 3.06	13.87	63.95
Florence	17.26	21.01	72.87
Fond du Lac	11.95	39.59	157.55
Forest	¹ 4.77	64.84	176.15
Grant	9.87	168.78	281.91
Green	¹ 2.02	112.14	142.57
Green Lake	1.56	9.60	169.11
Iowa	1.12	16.07	49.26
Iron	¹ 2.73	15.27	47.49
Jackson	16.45	178.91	294.66
Jefferson	1.06	148.79	172.96
Juneau	90.58	156.38	328.39
Kenosha	2.28	64.91	231.51
Kewaunee	2.83	68.59	120.83
La Crosse	7.09	11.26	77.19
Lafayette	19.57	117.43	286.94
Langlade	35.63	99.21	191.07
Lincoln	11.58	87.66	129.02
Manitowoc	62.31	53.08	142.78
Marathon	13.57	110.95	192.63
Marquette	34.09	35.78	106.04
Marquette	20.60	145.83	203.44
Milwaukee	3.73	14.58	19.21
Monroe	197.34	232.68	356.45
Oconto	23.43	152.90	242.60
Oneida	3.26	¹ 7.9	10.65
Outagamie	9.43	152.85	186.27
Ozaukee	24.05	92.96	132.37

¹ Shows decrease from the assessment of 1899.² Includes Gates county.

Increase in local assessments of subsequent years over 1899 — Continued.

Counties.	1900. (Per cent.)	1901. (Per cent.)	1902. (Percent.)
Pepin.....	6.30	194.51	231.62
Pierce.....	36.00	108.08	139.30
Polk.....	21.22	120.08	207.62
Portage.....	.19	68.53	116.67
Price.....	24.02	186.76	350.43
Racine.....	4.70	32.66	79.52
Richland.....	21.52	176.95	173.35
Rock.....	18.40	110.18	108.44
St. Croix.....	8.12	69.32	144.79
Sauk.....	3.68	38.98	126.23
Sawyer.....	¹ 6.57	74.97	268.76
Shawano.....	55.14	183.10	288.73
Sheboygan.....	50.92	72.33	102.41
Taylor.....	4.80	136.22	255.67
Trempealeau.....	3.90	194.27	192.69
Vernon.....	46.77	198.67	270.36
Vilas.....	6.81	105.95	197.86
Walworth.....	3.03	84.78	88.40
Washburn.....	16.48	262.19	409.23
Washington.....	¹ 1.07	52.81	92.28
Waukesha.....	.02	21.73	32.96
Waupaca.....	108.68	115.04	153.31
Waushara.....	22.43	156.72	295.06
Winnebago.....	2.25	69.72	109.28
Wood.....	191.29	258.25	377.79
Increase for state..	15.17	60.71	111.38

¹ Shows decrease from assessment of 1899.

For the purpose of showing what part of the state tax is borne by each county the following table is given covering the last four state assessments. The total valuation of the state being represented by 100 per cent. it shows, for instance, that the County of Adams paid in 1899, 189-1000; in 1900, 191-1000; in 1901, 179-1000, and in 1902, 200-1000 (or 1-5) of one per cent. of the total state tax:

Part of state tax borne by each county.

Counties.	1899. Per cent.	1900. Per cent.	1901. Per cent.	1902. Per cent.
Adams .....	.189	.191	.179	.200
Ashland .....	.797	.775	.581	.585
Barron .....	.320	.336	.383	.465
Bayfield .....	.774	.714	.734	.737
Brown	1.486	1.494	1.565	1.666
Buffalo .....	.410	.432	.504	.581
Burnett .....	.114	.111	.111	.115
Calumet .....	.989	.959	.853	.873
Chippewa	1.184	1.128	.724	.792
Clark .....	.633	.623	.687	.772
Columbia	1.875	1.836	1.650	1.737
Crawford ....	.383	.380	.318	.359
Dane	4.479	4.380	4.595	4.731
Dodge	2.332	2.314	3.257	3.263
Door .....	.448	.449	.361	.375
Douglas	1.646	1.722	1.896	1.611
Dunn .....	.719	.720	.704	.700
Eau Claire ...	1.605	1.404	.882	.901
Florence .....	.186	.159	.175	.155
Fond du Lac..	2.927	2.845	2.795	2.651
Forest .....	.137	.176	.217	.222
Gates .....			.168	.208
Grant	1.555	1.542	1.807	1.924
Green	1.591	1.592	1.763	1.716
Green Lake ..	.803	.780	.689	.861
Iowa	1.208	1.236	1.013	1.181
Iron .....	.281	.296	.299	.297
Jackson .....	.361	.378	.383	.399
Jefferson	1.940	1.903	2.353	2.301
Juneau .....	.445	.447	.514	.588
Kenosha	1.086	1.076	1.307	1.278
Kewaunee .....	.672	.618	.492	.517
La Crosse	2.517	2.317	2.289	2.139
Lafayette	1.032	1.075	1.250	1.270
Langlade .....	.422	.384	.303	.321
Lincoln .....	.504	.479	.346	.369
Manitowoc ...	2.022	1.995	1.831	1.907
Marathon	1.075	1.053	.885	.929
Marinette	1.024	1.006	.828	.920
Marquette .....	.267	.275	.295	.310
Milwaukee ...	22.911	24.009	24.493	23.205
M .....	.648	.683	.718	.806
O .....	.477	.475	.514	.519
O .....	.539	.560	.410	.470
Ou amie ...	1.888	1.888	2.158	2.131

Part of state tax borne by each county — Continued.

Counties.	1899. Per cent.	1900. Per cent.	1901. Per cent.	1902. Per cent.
Ozaukee	1.032	.990	1.006	.997
Pepin .....	.187	.183	.165	.182
Pierce .....	.764	.728	.739	.724
Polk .....	.438	.426	.390	.425
Portage .....	.905	.899	.854	.879
Price .....	.256	.214	.247	.259
Racine	2.876	2.850	2.481	2.444
Richland .....	.635	.511	.567	.592
Rock	3.279	3.310	3.467	3.395
St. Croix	1.017	.978	.772	.797
Sauk	1.576	1.555	1.378	1.448
Sawyer .....	.221	.165	.204	.192
Shawano .....	.535	.534	.500	.514
Sheboygan ...	3.132	2.994	2.753	2.772
Taylor .....	.280	.280	.309	.334
Trempealeau ..	.665	.650	.643	.669
Vernon .....	.700	.739	.752	.836
Vilas .....	.148	.151	.193	.202
Walworth	2.658	2.628	2.567	2.562
Washburn ...	.111	.108	.155	.185
Washington ..	1.871	1.734	1.530	1.535
Waukesha ...	2.902	2.862	2.979	2.851
Waupaca .....	.904	1.118	.834	.910
Waushara .....	.383	.436	.451	.487
Winnebago ...	3.132	3.101	3.116	3.060
Wood .....	.507	.518	.539	.620

CHAPTER III.

THE ONE MILL TAX.

Section 1072*a*, statutes of 1898, provides for the levy and collection annually of "a state tax of one mill for each dollar of the assessed valuation of the taxable property in the state, which amount, when so levied and collected, is appropriated to the common school fund income, and shall be disbursed in the manner and under the conditions and restrictions provided for the disbursement of the common school fund income."

The school fund income is, in the month of December prior to the annual collection of taxes, apportioned by the state superintendent among the several counties, towns, villages and cities entitled thereto according to the number of children in each over the age of four and under the age of twenty years. A condition of such apportionment is that the town, village or city shall have raised during the year by tax, for the support of common schools therein a sum equal to the amount of its share of such school funds, and shall also have maintained a common school taught by a qualified teacher for at least seven months during the year. (Section 554, statutes of 1898.)

Section 1074 makes it the duty of the county board to levy the tax referred to upon the towns, villages and cities of the county from which fact this tax has come to be known as the "county school tax," though not a county tax in legal contemplation.

The school fund income proper, other than the mill tax, was in 1900, \$191,770.22; in 1901, \$204,829.72, and in 1902, \$180,836.96. These sums added to the mill tax make the total amounts apportioned to the counties in each of said years, as follows:

1900	\$821,770 22
1901	1,641,113 72
1902	1,685,182 96

When the state board of assessment increased the total valuation of the property of the state from \$630,000,000 in 1900 to \$1,436,284,000 in 1901 and to \$1,504,346,000 in 1902 it thereby increased the state mill tax from \$630,000 in 1900 to \$1,436,284 in 1901 and to \$1,504,346 in 1902. This constitutes by far the larger part of the state tax of the last two years. The total state tax levied other than mill tax was, in 1900, \$715,570; in 1901, \$821,570, and for 1902, the levy is \$821,570, said sum being required exclusively for the support of our educational institutions.

The effect of the mill tax is to make the wealthy counties with a relatively smaller school population contribute to the counties having less material wealth but rich in the number of school children. The law has been in force since 1885, and while the tax was limited by undervaluation of assessing officers to \$600,000 or thereabouts without material change from year to year its burdens were not felt. It is believed, however, that the amount of this tax under a full value assessment is much larger than required by the best interests of the common schools, and that it tends in many instances to destroy that healthy local interest which follows where the community itself is held at least in part responsible for the maintenance of the school. During the last year in many country districts no district tax was levied, the school being maintained entirely by the school fund apportionment including the mill tax and the corresponding tax levied by the county board upon the towns. In some districts the moneys thus collected left a surplus in the district treasury. Such a condition has the tendency to breed a degree of extravagance which should be discountenanced in public affairs.

The reports of taxes levied by the annual meetings of school districts are not required to be made by the district clerks to the town clerks and by the latter to the county superintendents until a year after such meetings are held. (Sections 462 and 463, statutes of 1898.) Such reports as are incorporated in the following table have been secured in advance from the county superintendents and are only in exceptional instances based upon official reports of the town clerks. Complete data of the local levies made in 1902 will be reported to the state

superintendent in August, 1903. (Section 464, Statutes of 1898.) The table while for the reason stated incomplete helps to throw some light on the effect of excessive state aid upon the district tax levies for school purposes.

In the first column following is the total number of school districts in each county reporting, and in the second column the number of districts in such county in which it was found to be unnecessary to levy any district school tax at the annual district meeting in 1902.

Counties.	Total number of districts.	Districts levying no local tax in 1902.	Remarks by county superintendents.
Ashland	42	.....
Brown	83	36	
Buffalo	89	12	
Calumet	68	29	
Clark	130	13	
Columbia	146	5	
Crawford	99	.....	Do not think it will be necessary for districts to raise much tax this year. Do not think very many have.
Door	68	2	
Dunn	124	2	
Gates	42	.....	Nearly all districts have large balances on hand.
Florence	10	.....
Forest	10	.....	Under township system.
Grant	220	.....
Iowa	127	10	
Jefferson	127	1	
Juneau	112	.....
Kenosha	62	2	(Presumably for 1901).
Lincoln	64	.....
Marquette	55	.....
Marquette	53	3	
Milwaukee	72	.....
Monroe	142	12	
Oneida	58	1 town, 2 districts.	All under township system.
Outagamie	120	5	
Ozaukee	59	.....
Portage	108	18	
Price	69	.....
Richland	122	20	

Counties.	Total number of districts.	Districts levying no local tax in 1902.	Remarks by county superintendents.
Sauk.....	192	7	Some districts had more money on hand than they knew what to do with, but thought they were obliged to raise the tax.
Shawano.....	112	14	
Sheboygan.....	112	12	
Taylor.....	64	6	
Trempealeau.....	108	6	
Vernon.....	154	6	
Vilas.....	10	.....
Walworth.....	120	.....
Washburn.....	59	.....
Washington.....	100	15	
Waukesha.....	117	Perhaps nearly half the districts would be able to run their schools with the state and county money.
Waupaca.....	136	9	
Waushara.....	103	About 20 or 25	
Winnebago.....	96	6	

As the levy by the county board relates back to the school fund apportionment of the previous year, the force of a full value assessment will for the first time be fully felt in the tax collected in the winter of 1902-1903. The apportionment made in December, 1902, includes the mill tax to be collected in said tax levy. The districts having a surplus in their treasuries will find it still larger when the so-called "county school tax" for 1902 is collected which must be equal to the school fund apportionment made in December, 1901.

In 1900 the school fund was apportioned on the basis of \$1.11 6-10 for each child of school age; in 1901 on the basis of \$2.20 6-10 or together from state and county levy, \$3.32 2-10 per capita. The school fund apportionment of 1902 is \$2.23 6-10 per capita and the county levy to correspond with the school fund apportionment for 1901 must be at least \$2.20 6-10 per capita, making a state and county levy of at least \$4.44 2-10 per capita of school population to be collected this winter.

According to the report of the state superintendent the total number of children in the state of school age—four to twenty years—was, in 1902, 751,699. 367,861, or somewhat less than one-half of the total number, were of the compulsory school age, between seven and fourteen years. A school district with 40 pupils in attendance might easily contain 100 persons of school age. Such a district would under present conditions receive \$444.20 annually without levying any local district tax. Seven months' school would mean an expenditure of \$63.45 per month. The average monthly wages, outside of cities, in 1901-1902, were, for male teachers, \$50.93, and for female teachers, \$33.19. It is not strange that some districts have accumulated a surplus in their treasuries without levying any district tax.

Prior to 1899 there was levied and collected annually in aid of the state university a tax of 17-40 of one mill on each dollar of assessed valuation. The legislature of that year so amended the law as to make this annual appropriation a definite and fixed sum of \$268,000, which was increased by the legislature of 1901 to \$289,000. (Ch. 170, laws of 1899; ch. 322, laws of 1901.)

In like manner there was levied and collected annually prior to 1899 in aid of normal schools a tax of 19-60 of one mill on the dollar. This has been changed to a fixed sum of \$215,000 annually. (Ch. 170, laws of 1899; ch. 370, laws of 1901.)

The annual state aid to high schools and that to graded schools are fixed in each case at a definite maximum amount. (Ch. 345, laws of 1901; sec. 10, ch. 439, laws of 1901.)

The mill tax in aid of common schools alone remains an uncertain and varying quantity, fluctuating with the assessments made by the state board. As values increase—as they are likely to do annually for some years to come—this tax will keep pace with them and with it the tax levied upon towns, villages and cities by the county board. A mill tax of one and one-half million dollars, together with two hundred thousand dollars contributed from the school fund income proper, means in another year a school tax other than the local district tax of \$3,400,000, and this with the natural development and consequent increased valuations will continue to grow from year to year if the law remains as at present.

The total amount of all taxes levied for school purposes in the several towns, cities and villages in the state during the year 1901 was, according to the report of the secretary of state, \$4,193,302.47. This was before the increase in the "county school tax" made necessary by the full value assessment made by the state board in 1901.

It may be remarked in this connection that the amount equal to the apportionment from the school fund income is required to be raised by each town, village or city, but not by the school district, as seems to have been the understanding in some localities. The constitution treats the town and city as the unit, not the school district, and legislation has added "villages." (Sec. 4, Art. X, Const.)

It is true that under the constitutional provision relating to the income of the school fund the law may be so changed as to require each town, village and city "to raise by tax annually for the support of common schools therein, a sum not less than *one-half* the amount received" from the state, instead of an equal amount as at present. (Section 4, Article X, of the Constitution.) But with our largely increased valuations we believe that such a change would not adequately meet the conditions. Wise legislative policy would seem to dictate that this large appropriation should be fixed by law at a stated sum, and not be left to the judgment of administrative officers. Such seems to be a fair interpretation of Section 5, Article VIII, of the Constitution, which provides:

"The legislature shall provide for an annual tax sufficient to defray the estimated expenses of the state *for each year*; and whenever any expenses of any year shall exceed the income, the legislature shall provide for levying a tax for the ensuing year, sufficient, with other sources of income, to pay the deficiency as well as the estimated expenses of such ensuing year."

The policy of requiring the older and wealthier portions of the state to contribute to the educational expenditures of those less fortunate is in favor of good citizenship and wise when the contribution is not excessive. But where contributions thus bestowed exceed the amounts that can be profitably or economically expended they may have the very opposite effect of that intended. The fact that the community itself is required to

meet at least a part of the school expenses tends to keep alive that wholesome school sentiment without which there cannot be a good school. We believe the tax levied by the state should be reduced from one mill on each dollar of assessed valuation to a definite amount, and suggest that it be fixed at \$700,000. This, together with the receipts from the school fund income of \$200,000, will make a total of \$900,000 which would be the amount to be levied by county boards, making a total contribution to the school districts of \$1,800,000 annually.

We have no information that any city or village has found it unnecessary to levy any school tax. Such a condition seems to exist in country districts only.

The following table shows the mill tax levied against each county in 1901, the amount received by each county from the apportionment of the school fund income, including the mill tax, and the total state tax, not including special charges, for the same year:

1901.

Counties.	1 mill tax.	School fund apportionment.	Total state tax.
Adams	\$2,573 42	\$7,447 45	\$4,045 45
Ashland	8,343 98	14,526 53	13,116 83
Barron	5,507 84	21,506 30	8,658 38
Bayfield	10,541 73	9,044 59	16,571 71
Brown	22,471 34	38,957 94	35,325 18
Buffalo	7,236 19	13,974 99	11,375 37
Burnett	1,596 10	6,942 29	2,509 09
Calumet	12,247 03	15,073 60	19,252 46
Chippewa	10,392 01	24,281 45	16,336 35
Clark	9,866 32	23,078 06	15,509 97
Columbia	23,692 06	22,364 41	37,244 17
Crawford	4,567 00	13,882 34	7,179 37
Dane	66,003 77	50,418 12	103,758 65
Dodge	46,783 42	35,948 99	73,544 05
Door	5,188 30	16,061 88	8,156 08
Douglas	27,241 44	20,414 32	42,823 84
Dunn	10,108 61	21,309 94	15,890 85
Eau Claire	12,674 20	27,054 38	19,923 98
Florence	2,510 43	2,543 52	3,946 42
Fond du Lac	40,150 21	36,176 20	63,116 57
Forest	3,116 11	926 52	1,896 57
Gates	2,413 75	4,745 10	3,794 45
Grant	25,958 63	28,684 61	40,807 26
Green	24,457 76	16,567 07	38,447 87
Green Lake	12,477 10	12,547 72	19,614 13

1901 — Continued.

Counties.	1 mill tax.	School fund apportionment.	Total state tax.
Iowa.....	\$14,543 17	\$17,581 96	\$22,862 02
Iron.....	4,298 53	4,884 09	6,757 33
Jackson.....	5,503 22	14,316 93	8,651 12
Jefferson.....	33,796 13	23,119 66	53,127 89
Juneau.....	7,379 71	16,211 89	11,601 00
Kenosha.....	18,768 33	16,086 15	29,504 03
Kewaunee.....	7,070 38	15,060 36	11,114 72
La Crosse.....	32,880 57	33,745 19	51,688 62
Lafayette.....	17,949 90	16,015 57	29,217 44
Langlade.....	4,353 99	11,228 56	6,844 52
Lincoln.....	4,971 07	14,422 82	7,814 57
Manitowoc.....	26,301 92	35,741 61	41,346 74
Mara hon.....	12,715 13	40,579 38	19,988 33
Marinette.....	11,895 59	26,006 54	18,699 99
Marquette.....	4,235 26	8,865 92	6,657 87
Milwaukee.....	351,795 13	258,924 83	553,025 74
Monroe.....	10,310 11	22,214 43	16,207 60
Oconto.....	7,379 48	18,589 96	11,600 62
Oneida.....	5,888 35	6,589 33	9,256 54
Outagamie.....	30,999 24	37,314 48	48,731 14
Ozaukee.....	14,455 18	14,127 23	22,723 70
Pepin.....	2,381 83	6,273 87	3,744 27
Pierce.....	10,617 63	18,748 77	16,691 03
Polk.....	5,601 63	15,552 30	8,805 81
Portage.....	12,273 86	27,195 56	19,294 64
Price.....	3,554 46	8,029 84	5,587 65
Racine.....	35,678 97	34,585 68	56,087 72
Richland.....	8,141 49	14,581 66	12,798 51
Rock.....	49,791 06	36,127 66	78,272 09
St. Croix.....	11,092 36	22,015 90	17,437 31
Sauk.....	19,805 56	25,188 10	31,134 55
Sawyer.....	2,926 01	2,384 69	4,599 72
Shawano.....	7,184 03	23,476 27	11,293 37
Sheboygan.....	39,517 83	40,998 52	62,169 59
Taylor.....	4,435 67	9,732 89	6,972 91
Trempealeau.....	9,241 36	19,507 65	14,527 52
Vernon.....	10,800 82	22,432 81	16,979 01
Vilas.....	2,768 02	2,583 23	4,351 35
Walworth.....	36,869 07	18,563 49	57,958 58
Washburn.....	2,232 58	4,681 11	3,509 64
Washington.....	21,990 89	19,970 93	34,554 20
Waukesha.....	42,787 32	24,482 20	67,262 13
Waupaca.....	11,990 54	25,724 19	18,849 25
Waushara.....	6,471 07	12,526 91	10,172 58
Winnebago.....	44,758 89	41,460 95	70,361 45
Wood.....	7,742 02	23,043 88	12,170 54
Total.....	\$1,436,284 00	\$1,641,113 72	\$2,257,854 00

The following table shows the mill tax levied against each county in 1902, the amount received by each county from the apportionment of the school fund income, including the mill tax, and the total state tax, not including special charges, for the same year:

1902.

Counties.	1 mill tax.	School fund apportionment.	Total state tax.
Adams	\$3,005 64	\$7,374 32	\$4,647 11
Ashland	8,797 70	15,437 34	13,602 39
Barron	6,999 10	23,086 71	10,821 53
Bayfield	11,100 24	9,820 52	17,162 42
Brown	25,063 13	39,206 02	38,750 88
Buffalo	8,735 11	14,162 83	13,505 63
Burnett	1,753 75	7,689 61	2,711 52
Calumet	13,136 23	14,753 13	20,310 33
Chippewa	11,909 85	21,837 49	18,414 19
Clark	11,614 35	24,707 80	17,957 31
Columbia	26,125 90	22,476 25	40,391 05
Crawford	5,396 12	14,178 46	8,343 12
Dane	71,164 75	50,605 13	110,030 02
Dodge	49,084 26	35,498 73	75,890 69
Door	5,635 03	16,105 89	8,712 49
Douglas	24,234 55	21,268 82	37,469 79
Dunn	10,527 88	21,778 64	16,277 49
Eau Claire	13,557 32	28,180 34	20,961 39
Florence	2,327 14	2,609 41	3,598 06
Fond du Lac	39,881 68	36,062 19	61,662 30
Forest	3,242 72	1,299 12	5,168 29
Gates	3,123 45	6,106 50	4,829 26
Grant	28,947 75	29,041 15	44,757 01
Green	25,808 33	17,000 31	39,903 06
Green Lake	13,256 13	12,702 71	20,495 72
Iowa	17,773 12	17,849 99	27,479 57
Iron	4,465 32	5,274 72	6,903 97
Jackson	6,008 19	14,695 00	9,289 45
Jefferson	34,622 22	27,545 28	53,530 49
Juneau	8,845 94	16,631 35	13,676 98
Kenosha	19,228 43	17,018 20	29,729 67
Kewaunee	7,782 74	15,021 44	12,033 13
La Crosse	32,179 60	33,788 22	49,753 88
Lafayette	19,100 67	16,168 50	29,532 13
Langlade	4,823 27	11,839 63	7,457 41
Lincoln	5,846 82	14,972 24	9,039 95
Manitowoc	28,688 32	36,417 74	44,355 90
Marathon	13,980 13	42,396 80	21,615 12
Marinette	13,835 76	27,909 74	21,391 89
Marquette	4,661 25	9,227 97	7,206 89

1902 — Continued.

Counties.	1 mill tax.	School fund apportionment.	Total state tax.
Milwaukee	\$349,082 65	\$262,696 45	\$539,727 50
Monroe	12,120 24	22,829 53	18,739 48
Oconto	7,909 39	19,889 24	12,074 34
Oneida	7,061 65	6,394 97	10,918 23
Outagamie.....	32,061 76	37,495 50	49,571 68
Ozaukee	14,995 43	14,165 07	23,184 90
Pepin	2,741 42	6,280 92	4,238 60
Pierce	10,895 92	18,768 98	16,846 51
Polk	6,399 56	16,112 63	9,894 56
Portage	13,225 46	27,165 16	20,448 30
Price	3,893 01	8,999 89	6,019 10
Racine	36,761 93	35,916 91	56,838 76
Richland	8,910 29	14,681 54	13,776 48
Rock	51,066 80	38,304 90	78,955 96
St. Croix.....	11,995 08	22,283 98	18,545 97
Sauk	21,785 04	25,356 24	33,682 52
Sawyer	2,894 41	2,423 82	4,475 14
Shawano	8,188 07	24,786 07	12,659 84
Sheboygan	41,698 56	42,224 62	64,471 44
Taylor	5,017 46	10,269 94	7,757 65
Trempealeau.....	10,058 99	19,357 04	15,552 52
Vernon	12,583 18	22,585 80	19,455 24
Vilas	3,038 14	2,739 10	4,697 37
Walworth	38,540 95	19,529 26	59,589 36
Washburn	2,781 70	5,393 23	4,300 88
Washington	23,087 20	19,723 76	35,695 84
Waukesha	42,888 51	25,374 10	66,311 26
Waupaca	13,693 58	25,518 53	21,172 07
Waushara	7,332 03	13,109 67	11,336 29
Winnebago.....	46,041 34	43,387 33	71,185 95
Wood	9,326 36	25,085 68	14,419 78
Total	\$1,504,346 00	\$1,681,626 10	\$2,325,916 00

CHAPTER IV.

THE INHERITANCE TAX.

The inheritance tax in some form and under various names is now in force in nearly all civilized countries, and in many is an essential part of their system of public finance and taxation.

Within the last fifteen years there has been a marked tendency to the development of the tax in the wealthier and more progressive and conservative of modern nations.

The development is noticeable in those governments in which the supreme power is retained by the people, but is indirectly exercised through their duly elected representatives in legislative bodies.

The tax exists in Great Britain, France, Germany, Switzerland, Holland, Belgium, Sweden, Norway, Italy, Russia and other states on the continent, and in Australia, Canada and the United States.

The origin of inheritance taxes may be of historical interest to the student, but the object of this report will be best subserved by an examination of the extent of the tax in several of the most important countries.

In Rome an inheritance tax was levied at the beginning of the empire, but was repealed before the code of Justinian.

In the middle ages the relief was exacted as a contribution to the lord from the heir of a deceased tenant as a condition of permitting the heir to take possession. The theory was that on the death of the tenant, the estate escheated to the lord, who would admit the heir to the succession on the payment of money or other aids. This fiction of feudal tenure in England was succeeded in the reign of Edward I. by a law securing the property of the subject by abolishing all arbitrary taxes and talliages levied without consent of the national council.

The mediaeval method of the lord requiring tribute to himself as a condition of the heir succeeding to property has been obsolete for generations in England. The mediaeval idea that the tenant could only enter into possession of property with consent of the crown or his immediate overlord upon paying for the privilege, was abandoned in the Fifteenth century.

The feudal charges on land developed into the general property tax in England, and the latter tax in turn became greatly modified long before the American revolution.

The general property tax in force in the United States is a relic of the middle ages, being directly traceable to the system at one time in vogue throughout all Europe, and has all the defects recorded of the subterfuges and evasions of the tax on personal property in England and on the continent after the economic changes from agriculture to manufacture, trade and commerce. The inadequacy of the property tax as the sole revenue for the support of government has led in those countries to the adoption of other forms of taxation as supplemental thereto, and deemed essential to secure justice.

The American colonists adopted the property tax for the reason that their conditions corresponded closely with those of the middle ages in the old countries when mainly agricultural, and the mass of property was of a similar character. At the beginning of our Revolution inheritance taxes were unknown in England, although stamp duties on probate and letters of administration on certain estates prevailed, and it was not until 1780 that a tax was introduced on receipts from legacies and distributive shares of personal property. The separation and independence of the colonists was not demanded on account of the special forms of taxation then existing, but "for imposing taxes on us without our consent."

While the general property tax is a survival of the mediaeval customs, "the inheritance tax as now understood in most countries, is essentially the product of modern democracy."¹

Dr. Seligman says, "The inheritance tax is to-day found primarily in democracies like those of England, Switzerland, Aus-

¹ E. R. A. Seligman, *Essays in Taxation*, 121.

tralia and America, and in other countries its development has gone hand in hand with the spread of democratic ideas."

The old order of things in taxation must inevitably change and yield to the new to keep pace with the rapid social and industrial advances in order to produce equality and justice by the taxation of every individual according to his ability to pay, whether measured by property, earnings or other standards.

The term inheritance tax according to the usual interpretation is here used to mean any tax on the transmission or receipt of property, real or personal, under intestate laws or by will or by grant, conveyance or gift intended to take effect after death.

INHERITANCE TAXATION IN THE UNITED STATES.

As early as 1797 congress imposed a legacy tax, by stamp duties laid on the receipts evidencing payment,¹ but the act was repealed in 1802.²

The war revenue act of July 1st, 1862, laid a legacy tax from three-fourths of one per cent. to five per cent. according to relationship, on the devolution of personal property exceeding \$1,000 in value, and stamp duties on probate of wills and letters of administration.³

The act of June 30, 1864, increased these taxes and levied a tax on successions to real estate.⁴

The rate was from one to six per cent. with no exemption of small estates from the succession tax, or in favor of husband or wife. In 1865 the act was amended to exempt wives, but not husbands. The legacy and succession taxes were repealed in 1870, and the stamp duty on probate and administration two years later.

The history and development of the inheritance tax in the states would form an interesting and valuable chapter, but would

¹ 1 U. S. Stat. at Large, 527.

² 2 U. S. Stat. at Large, 148.

³ 12 U. S. Stat. at Large, 483, 485.

⁴ 13 U. S. Stat. at Large, 285, 287.

occupy more space than can be given to the subject. The following table from the report of the United States Industrial Commission,¹ changed and enlarged to bring it down to the present time with reference to year, chapter, or page of the state law, and the law of congress, will give a concise history of the taxation of inheritances in the United States, with amount of exemption and rate of the tax on property transferred to direct and collateral heirs.

¹ 19 Industrial Report, 1057.

Inheritance Taxes.

Rates and exemptions prescribed by inheritance tax laws in the United States.

	FOR COLLATERAL HEIRS.				
	Rate per cent.	Exemption.	Date of law.	Chapter.	Tax payable to
Arkansas	5	.....	1901	156	State.
California	5	\$500	1893	168	State.
Colorado	3-6	500	1901	94	State.
Connecticut.....	13	10,000	{ 1889	{ 180	State.
			{ 1897	{ 201	State.
Delaware.....	5	500	1869	390	State.
Illinois.....	2-6	{ 2,000	1895	p. 301	State.
		{ 500			
Iowa.....	5	1,000	1896	28	State.
Maine.....	4	500	{ 1893	{ 146	State.
			{ 1901	{ 225	State.
Maryland	2½	500	1844-45	237	State.
Massachusetts ..	5	"	1891	425	State.
Michigan.....	5	500	1899	188	State.
Minnesota.....	35	5,000	1901	255	State.
Missouri	5	.....	1899	p. 328	State.
Montana.....	5	500	1897	p. 83	60 prct.State
Nebraska	2-6	500	1901	54	State.
New Jersey.....	5	500	{ 1892	{ 122	State.
			{ 1894	{ 210	State.
New York ¹	5	500	1885	483	State.
North Carolina.. ²	1½-15	2,000	{ 1846	{ 72	State.
			{ 1901	{ 9	State.
Ohio	5	200	1893	p. 193	75 prct.State
Pennsylvania....	5	250	{ 1826	{ 72	State.
			{ 1887	{ p. 79	State.
			{ 1891	{ 25	State.
Tennessee	5	250	{ 1893	{ 174	State.
Utah.....	5	10,000	1901	62	State.
Vermont	5	2,000	1896	46	State.
Virginia.....	5	.....	{ 1844	{ 1	State.
			{ 1896	{ 334	State.
Washington.....	3-12	.....	1901	55	State.
West Virginia...	2½	1,000	1887	31	State.
Wisconsin.....	35	10,000	{ 1899	{ 355	State.
			{ 1901	{ 245	85 prct.State
United States ⁶ .. ³	1½-15	10,000	1898	448	Uni'd States

¹ Five per cent. until 1897.

² Ch. 297, Act. 1901—Repeals exemption of \$10,000.

³ On personal property only.

⁴ From 1897 to 1899, 1½ per cent. for collateral and ½ of 1 per cent. for direct heirs.

⁵ Until 1894, 3½ per cent. with an exemption of \$10,000.

⁶ Repealed in 1902.

⁷ Late New York Acts: Ch. 903, 1836; Ch. 281, 1897; Ch. 83, 1893; Ch. 289, 1898; Ch. 76, 1893; Ch. 672, 1899; Ch. 173, 1901; Ch. 458, 1901; Ch. 493, 1901; Ch. 101, 1902.

Alabama has a section (219) in her new constitution permitting a collateral inheritance tax.

Inheritance Taxes.

Rates and exemptions prescribed by inheritance tax laws in the United States.

	FOR DIRECT HEIRS.				
	Rate per cent.	Exemption.	Date of law.	Chapter.	Tax payable to
Arkansas.....					
California.....					
Colorado.....	2	\$5,000	1901	94	State.
Connecticut.....	$\frac{1}{2}$	10,000	1897	201	State.
Delaware.....					State.
Illinois.....	1	20,000	1895	p. 301	State.
Iowa.....					
Maine.....					
Maryland.....					
Massachusetts.....					
Michigan.....	¹ 1	5,000	1899	188	State.
Minnesota.....	¹ 1	10,000	1901	255	State.
Missouri.....					
Montana.....	¹ 1	7,500	1897	p. 83	60 pr ct. State.
Nebraska.....	1	10,000	1901	54	State.
New Jersey.....					
New York.....	¹ 1	10,000	1891	215	State.
North Carolina..	¹ $3\frac{1}{4}$ - $2\frac{1}{4}$	2,000	1901	9	State.
Ohio.....					
Pennsylvania.....					
Tennessee.....					
Utah.....	5	10,000	1901	62	State.
Vermont.....					
Virginia.....					
Washington.....	1	10,000	1901	55	State.
West Virginia.....					
Wisconsin.....	¹ 1	10,000	{ 1899 1901	{ 355 245	85 pr ct. State.
United States...	¹ $3\frac{1}{4}$ - $2\frac{1}{4}$	10,000	1898	Sec. 29 Ch. 448	United States.

¹ On Personal property only.

Louisiana had a ten per cent. tax on foreign heirs from 1828¹ until 1877 when the law was repealed.

Alabama in 1848² imposed a tax of two per cent. on bequests of personal property and devises of real estate to collateral heirs, modified later to apply to personal property, the rates changed and the law abolished in 1868.

¹ Acts 1828, l.o. 95.

² Laws of 1847-48, No. 1, Sec. 86.

The states which do not tax inheritances are: Alabama, Florida, Georgia, Idaho, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Nevada, New Hampshire, North Dakota, Oregon, Rhode Island, South Carolina, South Dakota, Texas and Wyoming.

An examination of the foregoing table will show that at the time of the publication of Dr. Richard T. Ely's valuable work in 1888 on "Taxation in American States and Cities," only seven states had adopted the inheritance tax. His clear and strong presentation of the social and economic principles justifying the taxation of inheritances and bequests appears to have attracted the attention of legislators throughout the country and exerted a marked influence upon legislation in that direction, for within a very few years many other states enacted inheritance tax laws.

With suitable exemptions and proper graduation of the rate Dr. Ely said: "This tax could embarrass no one" . . . and "answers the requirements of every canon of taxation."

The amount of revenue that may be expected from the taxation of inheritances in this state cannot be estimated with accuracy in advance of its practical operation. Two or three years at least will be necessary to show how much may be relied upon annually from this source. The product of the tax is fairly constant in some of the states, although fluctuations do occur, due in part to the transmission of large estates in particular years and smaller estates in other years. The exemption, rate of tax, and whether applied to direct and collateral heirs, or only to collaterals, will have a decided effect on the total revenue which may be realized from the tax.

The financial condition of the people in the states will vary. In the older and wealthier states like New York, Pennsylvania and Massachusetts, a much greater revenue proportionately may be looked for than in Wisconsin. For the purpose of comparison with the preceding table, and for a study of the effect of exemption, rate of tax, etc., on revenue, the following table is given showing the income derived from the inheritance tax in the several states for eleven years.

Yield of state inheritance taxes in the United States, 1891-1901.

State.	1891.	1892.	1893.	1894.	1895.
California				\$1,365	\$32,788
Connecticut	\$74,759	\$177,663	\$143,606	74,179	68,803
Delaware	936	1,232			1,582
Illinois					
Iowa					
Maine			1,023	12,052	42,285
Maryland	67,739	114,009	70,693	62,636	83,106
Massachusetts ²		13,855	59,430	239,369	419,428
Michigan					
Missouri					
Montana					
New Jersey		21,599	44,248	201,695	121,339
New York	890,268	1,786,218	3,071,687	1,688,954	2,126,845
North Carolina					
Ohio					
Pennsylvania	1,230,725	1,110,603	1,124,487	869,179	1,091,993
Tennessee					
Vermont					
Virginia					
West Virginia	314	1,004	4,656	6,622	1,026
Wisconsin					

¹ For fifteen months.² The figures given do not include interest.³ Not separately reported.*Yield of state inheritance taxes in the United States, 1891-1901 — Continued.*

State.	1896.	1897.	1898.	1899.	1900.	1901.
California	\$102,671	\$60,667	\$83,550	\$157,735	\$385,362	\$243,586
Connecticut....	135,837	77,492	133,037	115,195	165,930	222,320
Delaware	805			1,674	2,190	
Illinois			¹ 39,180	² 308,637	² 448,932	² 530,577
Iowa		1,884	22,651	53,585	116,491	104,885
Maine	23,178	28,684	23,347	36,266	17,960	38,941
Maryland	76,897	60,277	134,280	58,542	54,544	90,688
Massachusetts ³	275,373	501,360	563,672	478,759	397,940	506,093
Michigan					4,579	5,230
Missouri					3,895	213,285
Montana		778	6,422	9,465	4,025	60,151
New Jersey	82,247	113,832	112,902	85,520	177,075	163,741
New York.....	1,796,652	1,829,942	1,997,210	2,194,612	4,334,803	4,034,607
North Carolina		98	1,120			237
Ohio.....	1,477	24,887	24,159	17,547	22,943	
Pennsylvania...	925,717	894,741	834,856	933,575	1,167,666	1,232,082
Tennessee.....					61,000	37,301
Vermont		544	11,478	13,661	26,328	50,758
Virginia.....	2,766	1,733	14,268	67,156	21,934	28,296
West Virginia..	1,436	1,813	2,507	15,503	3,840	2,573
Wisconsin.....					4,208	32,087

¹ For two years.² The figures given do not include interest³ Calendar year.⁴ Not separately reported.

Yield of the national inheritance tax.

Degrees of consanguinity and rates of tax.	1898-1899.	1899-1900.	1900-1901.
Direct line, brothers and sisters, $\frac{3}{4}$ to $2\frac{1}{4}$ per cent	\$558,247 00	\$1,315,417 03	\$3,435,920 54
Descendants of brothers and sisters, $1\frac{1}{2}$ to $4\frac{1}{2}$ per cent	225,568 08	618,259 32	912,343 69
Brothers and sisters of father or mother, and descendants, 3 to 9 per cent.....	48,630 55	170,697 65	68,767 37
Brothers and sisters of grandfather or grandmother, and descendants, 4 to 12 per cent..	6,721 99	8,940 69	4,840 75
Other relatives and strangers in blood, 5 to 15 per cent	396,267 63	771,176 86	730,026 33
Total	\$1,235,435 25	\$2,884,491 55	\$5,211,898 65

THE INHERITANCE TAX IN WISCONSIN.

Probate Fees.

An act of the Wisconsin legislature in 1868 relating to the compensation of county judges¹ authorized county boards to fix the salary of county judges to be paid out of the county treasury. Section 4 of the act made it the duty of executors, administrators or guardians to pay to the county treasurer the following sum according to the value of the estate as shown by the inventory and appraisal; that is to say, when the value of the estate shall

Exceed \$1,000 and not exceed \$2,000.....	\$20
Exceed \$2,000 and not exceed \$5,000.....	30
Exceed \$5,000 and not exceed \$8,000.....	40
Exceed \$8,000 and not exceed \$10,000.....	50
Exceed \$10,000	75

These sums were to be paid *upon the return of the inventory and appraisal*, and county judges were prohibited from allowing the accounts of executors, administrators or guardians until the production of satisfactory proof of payment. The act did not apply to counties wherein the county judge had civil jurisdiction.

¹ Ch. 121, Laws 1868.

The act of 1868 was repealed in 1872.¹

In 1877 "an act regulating the salary of the county judge of Milwaukee county,"² the charges prescribed by section 4 of Ch. 121, 1868, were re-established upon estates in Milwaukee county. This law was carried into the revised statutes of 1878.³

In 1889 section 2483, Stat. 1878, was repealed and a new system of charges provided in lieu of fees in counties with a population exceeding 150,000. Milwaukee county was the only one in the state having that population. By this law, executors, administrators and guardians were required to pay to the county treasurer one-half of one per cent. of the appraised value of the estate or property of the ward as shown by the inventory and appraisal up to \$500,000, and one-tenth of one per cent. on amounts in excess of \$500,000. Estates of \$3,000 or less were exempt from probate fees. The amount of existing specific liens was to be deducted in fixing the value of estates.

The charges were payable on the return of the inventory and appraisal, or the value of the estate established by proof, and before the inventory and appraisal were filed, or the approval of the bond of the executor, administrator or guardian.

The Supreme Court in *State ex rel. Sanderson v. Mann*,⁴ decided that the charge imposed by the last act was not a probate fee, but a tax, that being imposed on the whole estate regardless of its solvency was not a succession tax, and that as the law imposed a tax in Milwaukee county only it violated secs. 31 and 32, Art. IV of the constitution, prohibiting the enactment of special laws for the assessment and collection of taxes, and providing all laws for such purpose "shall be uniform in their operation throughout the state."

The charges prescribed by the laws of 1868 and 1878, before cited, were at higher rates on the small estates than on the larger ones. The fees on an estate of \$1,010 would be nearly

¹ Ch. 40, Laws 1872.

² Ch. 98, Laws 1877.

³ R. S. Wis., 1878, sec. 2483. See also Ch. 262, Laws 1880.

⁴ 76 Wis., 469.

two per cent. of the value, diminishing to one per cent. on estates of \$2,000, rising to nearly one and five-eighths per cent. on \$2,020, falling to six-tenths of one per cent. on estates of \$5,000, five-tenths of one per cent. on \$8,000, and as estates over \$10,000 increase in value, the rate decreased. The last acts have none of the features of an inheritance tax, and more nearly resemble a charge to cover costs of administration in probate courts.

The act of 1889 imposing a charge of one-half of one per cent. on the appraised value of estates up to \$500,000 and one-tenth of one per cent. in excess of that sum with an exemption of estates of \$3,000 or less was crude and illogical and severe on the small estates. If an estate slightly exceeded the amount of the exemption it paid $\frac{1}{2}$ of one per cent. on the whole value. The tax was upon the appraised value, and not on the clear value after the payment of debts.

Another provision of extreme severity and hardship was that the tax must be paid upon the return of the inventory and appraisal to the probate court, and before the bond of the administrator or executor could be approved. In other words payment in advance was mandatory before any steps could legally be taken to convert property into money or use funds on hand if any were left by the decedent to pay the tax. The harsh provisions referred to bring into favorable notice the liberal and humane provisions of inheritance tax laws of the present period which allow ample time for the settlement of estates and payment of the tax.

WISCONSIN INHERITANCE TAX LAW.

The first law of this character in the state was Ch. 355, laws 1899, for the taxation of direct and collateral heirs, taking effect on July 1, 1899, and remained in force until declared unconstitutional by the Supreme Court in February, 1902.

During the time it was in operation the total taxes collected by the state and counties was \$71,520.84, and of this sum the state received \$59,767.14.

The receipts of the state by years were as follows:

The year ending December 31, 1900.....	\$4,208 44
The year ending December 31, 1901.....	32,088 76
The year 1902 to March 1st.....	23,469 94

The revenue for the whole period the law was in force to the several counties and to the state is exhibited in the following summary by counties.

Inheritance taxes received by the state and counties with discount and appraisers' fees from July 1, 1899, the date chapter 355, laws of 1899, took effect, until said law was held invalid.

Name of county.	State tax.	County tax.	Discount allowed.	Appr's fees.	Total tax.
Columbia.....	\$186 87	\$32 97	.....	.....	\$219 84
Dane.....	1,367 70	241 35	\$38 34	.....	1,647 39
Dodge.....	6,414 98	1,132 05	89 85	.....	7,636 88
Dunn.....	6,186 89	1,091 81	.....	.....	7,278 70
Fond du Lac.....	151 87	26 79	.....	.....	178 66
Grant.....	487 82	86 09	17 31	.....	591 22
Green.....	391 02	68 98	.....	.....	460 00
Green Lake.....	211 29	37 41	13 10	.....	262 50
Iowa.....	1,097 91	193 74	67 97	.....	1,359 62
Jefferson ¹	3,378 50	567 89	.....	.....	3,946 39
Juneau.....	268 65	47 40	.....	.....	316 05
Kenosha.....	982 18	173 30	39 39	.....	1,194 87
Kewaunee.....	337 09	59 48	20 87	.....	417 44
La Crosse.....	1,261 43	222 49	43 07	.....	1,526 99
Lafayette.....	699 18	123 38	20 70	.....	843 26
Lincoln.....	85 80	15 14	5 31	.....	106 25
Marathon.....	88 63	15 64	5 48	.....	109 75
Marinette.....	414 01	73 06	16 69	.....	503 76
Milwaukee.....	8,059 02	1,422 19	226 72	.....	9,707 93
Oneida.....	137 61	24 29	8 52	.....	170 42
Racine.....	4,346 66	767 05	269 17	.....	5,382 88
Richland.....	223 13	39 38	.....	.....	262 51
Rock.....	1,185 12	209 33	64 18	.....	1,458 63
Sauk.....	1,368 50	241 50	.....	.....	1,610 00
Sawyer.....	121 13	21 37	7 50	.....	150 00
Walworth.....	767 01	135 34	36 71	\$18 71	957 77
Waukesha.....	3,720 73	656 59	24 80	31 75	4,433 87
Winnebago.....	15,825 71	2,792 78	168 77	.....	18,787 28
Total.....	\$59,767 14	\$10,518 79	\$1,184 45	\$50 46	\$71,520 84

¹ Includes \$160 49 overpaid by county treasurer December 12, 1901.

Economic Theories for the Tax.

The economic theories for the inheritance tax are several, such as the limitation of inheritance, the diffusion of wealth,

co-heirship of the state, cost of administration, the special privileges accruing to the recipient of property, the accidental or fortuitous income, the receipt of property without toil or service, and the back tax theory.

The enumeration does not include all the arguments advanced in justification of the tax, nor is it to be understood that agreement exists upon the validity of the theories just stated.

The view that the power of taxation should be employed to limit the amount of inheritance or bequest and thus prevent the accumulation of large fortunes, although not necessarily socialistic is generally so regarded, and does not have the approval of conservative men as a sound basis for taxation. This theory rests on the proposal that property above a specified large amount like \$500,000, or \$1,000,000, or the major part thereof shall escheat to the state or be taken by the way of taxation. The doctrine of escheat or the diffusion of wealth is generally regarded as unsound and fails to satisfy the best writers on economics, although supported by eminent authors with great plausibility.

Back Tax Argument.

The back tax theory has more popular support than any other, and in some states has been the most potent argument for the enactment of inheritance tax laws.

The claim is that as the general property tax is largely evaded during life, it is no more than just that the state should recover the equivalent from the recipient of property by a tax that cannot be evaded. The impossibility of framing a law on a scientific basis to accurately reach the exact amount of the tax evaded during life will be recognized by the most casual observer.

The difficulty of following the changes in the form, character, or value of property, throughout the life of a decedent so as to show the true condition of the estate to the satisfaction of the court administering it is unsurmountable, and such investigation is possible only for a very short period immediately preceding death. The logical application of the back tax argument would demand the enactment of a law for levying an in-

heritance tax equal to the tax which should have been but was not assessed against the property in the life time of the owner. The burden would be cast on the state of establishing by proof, the assessment of the entire property from year to year with the taxes paid thereon, and the various kinds and value of property during the same periods to ascertain the sum of taxes actually paid, and the amount which ought to have been paid. The difference would be the inheritance tax in each particular case if the validity of the argument is to find expression in the law.

In this country taxes on real estate are levied and paid. The instances where land escapes are exceedingly rare, generally due to the inadvertence of assessors and in this state efficient provisions exist for placing all real and personal property on the tax roll whenever omitted in the three prior years.¹

It is personal property of the intangible kind that escapes taxation. Visible personal property is generally found and taxed with as much certainty as real estate. Therefore to be logical only intangibles such as money, notes, stocks, bonds, mortgages and other credits should be subject to the inheritance tax. The loss of revenue legally due the state by the concealment or omission of this class of property is a strong inducement to the enactment of inheritance tax laws, and the argument is not to be wholly brushed aside when the policy of this legislation is considered. It must, however, be conceded that the theory of exacting from the heir the tax evaded by his ancestor cannot be sustained on equitable principles. It would be a penalty on the heir for the sins of his ancestor, which is not a good basis upon which to rest a just system of taxation.

Income without Toil or Service.

In the opinion of Dr. Richard T. Ely, an eminent authority on economics, the inheritance tax can best be sustained on the theory that it falls on property which comes to the recipient without effort or labor.

"Property," he says, "which comes by inheritance is an income received without toil. It is for the one receiving it, an

¹ Secs. 1058, 1059, Wis. Stat. 1898.

unearned increment of property, and on this account may properly be taxed. The most satisfactory basis upon which property can rest is personal toil and exercise of some kind and when property comes otherwise than as a return for social service, a special tax finds a good solid basis in justice."¹

Accidental Income.

The accidental or fortuitous receipt of property on the occasion of the death of the owner is advocated by Dr. E. R. A. Seligman and Dr. Max West as a sound economic theory for the support of an inheritance tax.

Dr. West's view is thus stated:

"From the standpoint of the heir, an inheritance is a sudden acquisition of property, without effort on his part; an accidental and perhaps unexpected increase of wealth, which manifestly increases his tax-paying ability. It is conceivable that where there is an income tax, inheritances might be taxed as income; but even if this were done, the accidental or gratuitous nature of such acquisitions would justify an additional tax, and since it is not done, there is a double reason for the inheritance tax. It is not true in every case, however, that the inheritance of property indicates an increase of tax-paying ability. The death of the head of a family may be a positive economic loss to the wife and minor children who enjoyed the use of his property while he was alive, and who were dependent upon his personal exertions for their support. But if his income was from property rather than from personal exertions, his death will make little difference in the economic condition of the family. If the income was wholly from interest, the economic condition of the family will be somewhat improved, for the income will remain the same, and there will be one less person to be supported by it; if it was from profits, the condition of the family may be improved or otherwise, according to the changes in the employment of the capital which may result from the owner's death. But in any case where property goes to collateral relatives, or even to self-supporting adult sons, there is a distinct increase of tax-paying ability."²

¹ 153 North American Review 54, July 1891.

² The Inheritance Tax: Fourth Studies in History, Economics and Public Law, 118.

Dr. Seligman in his *Essays in Taxation* says:

"The logical defence for the inheritance tax is thus the accidental-income argument. It is in harmony with the general basis of taxation—the faculty or ability of the individual to pay; it rounds out the existing system, whether based on property or on income; and it is not open to the objections which may be urged in one form or another against each of the other theories.

"Granting the desirability of the tax, we are at once confronted by the problem of graduated or progressive taxation. Graduation of the tax according to relationship has met with well-nigh universal acceptance; graduation of the tax according to amount has given rise to more controversy. This question has been fully discussed in another place, with the conclusion that the theory of progression is more applicable to the inheritance tax than to any other part of the fiscal system; and that, whether we base our demand on the limitation-of-inheritance theory, the faculty theory, or the compensatory theory, some scale of progression is both desirable and practicable.

"The inheritance tax today scarcely needs defence. It is found in almost every country; and the more democratic the country, the more developed is the tax. In some of the Canadian provinces, in the Australian colonies, in the Swiss cantons, in England itself, the rates are not only progressive, but highly progressive. . . . In the United States also there is now a decided movement toward the progressive inheritance tax."¹

Unsound Objections.

The objections sometimes urged that an inheritance tax is a tax on capital or unequal or double taxation are unsound. The objection that the taxation is a discouragement to industry and thrift, and tends to drive capital away applies with far less force to the inheritance tax than to the general property tax. It sinks into comparative insignificance with the heavy burden of municipal taxes levied annually; whereas the inheritance tax is paid at long intervals, or once in a life time.

Dr. Robert H. Whitten, in his address before the National Conference on Taxation, at Buffalo in May, 1901, well says:

"One of the strongest arguments in favor of the inheritance tax arises from the recognized right and duty of the State to

¹ Seligman, *Essays in Taxation*, 132-133.

regulate inheritance to such an extent as the public welfare may require. The right of bequest and inheritance is a natural right only to the extent that it is socially useful; that it furnishes an incentive to the creation of wealth or furthers its preservation and judicious management. Although we uphold devise and descent as the best known method of securing this end, yet we must admit that it is open to very serious objection and very often fails completely. While the man who acquires wealth by that act gives evidence of his ability to manage it properly, it is by no means so certain that his heirs will possess that qualification. It is most fitting, therefore, that the State in apportioning the burden of taxation should take cognizance of this condition and obtain a portion of its revenue from estates at the time of their transfer to hands that have given no evidence of ability to manage them economically. Such a tax, if the rate be moderate, can only further the true social function of devise and descent, i. e., the furtherance of the creation and the judicious management of wealth. The tax is an incentive rather than a hindrance to the creation of wealth and insures that after its transfer at death a certain portion, at least, will serve a socially useful purpose.

"As a result of the fact that the inheritance tax does not tax industry and can in no way be shifted, its imposition or alteration results in no disturbance of business or industrial relations. This is a most notable advantage, for the restrictive and prohibitive effects of some taxes and the severe disturbance of industrial conditions resulting from the introduction of other taxes, are extremely important, and are the causes that most often prevent the adoption of legislative reforms. It is the very great hardship and injustice resulting from the sudden imposition of a tax or from a change in its rate that effectually blocks 99 out of 100 of the proposed reforms. The inheritance tax can be imposed and its rate altered from time to time in response to the demands of justice or to the needs of the State without producing industrial disturbance or hardship."¹

When the provisions of existing laws and the one proposed are examined, the cry that the inheritance tax is "a tax upon widows and orphans" will be seen to be utterly absurd. When the tax applies to widows and children the possibility of hardship is provided against by generous exemptions amply sufficient for their support. Even where all direct inheritances are taxed, the objection is less real than it at first appears, and would ap-

²National Conference on Taxation, 80-81.

ply in a comparatively small number of cases; for in the natural order of things death comes at an advanced age after the children are grown up and able to take care of themselves.¹

Dr. Richard T. Ely in a late article on "Reforms in Taxation,"² concludes his review of the situation as follows:

"Finally, attention may be called to the growing use throughout the civilized world of taxes upon inheritances and successions. If a proper minimum is exempted from taxation, a minimum sufficient to yield a livelihood in case of succession within the family, say, twelve thousand dollars, and a much smaller minimum for collateral inheritances—and if the tax is slightly progressive in two directions, namely, as the relationship of those succeeding to the property becomes more distant, and as the property increases in size, such taxation accords with the generally recognized principles of justice, and is capable of yielding large revenues."

Mr. Justice Brewer, of the United States Supreme Court, said in a letter to the author of a legal work on taxation (1 *Dos Passos Inheritance Tax Laws*, 2):

"I was not aware until such examination of the extent to which in this country the matter of taxation on successions has advanced. I have often urged that as one of the most just taxes, and, if it were graduated in proportion to the amount of property passing, I think it would be most beneficial. It would tend largely to prevent the accumulation of property in a family line, and to work that distribution which is for the interest of all."

CONSTITUTIONALITY OF INHERITANCE TAX LAWS.

The validity of the underlying principles of the inheritance tax has been affirmed with substantial unanimity by all the courts of this country, federal and state. The law in a few cases has been declared void on account of peculiar provisions at variance with state constitutions. The fundamental ideas for the tax have been approved as in harmony with the constitutional requirements of the various states, and as being consistent with sound public policy.

¹ Dr. Max West, *supra*. 121.

² *Cosmopolitan*, January 1901.

The decisions beginning with the earliest case of *Mager v. Grima*,¹ decided by the Supreme Court of the United States in 1858, are too numerous to cite in this report, and it is unnecessary to refer to the authorities elsewhere, as the Supreme Court of our state has definitely settled the important questions governing the constitutionality of inheritance tax laws, and clearly stated the grounds upon which they may rest.

The legislature of 1899 enacted Chap. 355, entitled, "An act for a tax on gifts, inheritances, bequests and legacies in certain cases;" and the same remained in force and taxes were collected thereunder until February, 1902, when an opinion of the Supreme Court in *Black v. State*² held that certain provisions in the act produced arbitrary and unlawful discriminations between persons in the same class, which rendered the law void.

The Wisconsin act is in all essential respects a copy of the New York law, with the exception that under the New York law the transfers of real and personal property to collateral heirs of the value of \$500 and over and personal property of the value of \$10,000 and over transmitted to the direct heirs are taxed, while in Wisconsin the tax is imposed only on personal property of the value of \$10,000 or over, transferred to direct and collateral heirs. The administrative methods are the same in both laws. At the time of the passage of the inheritance act in this state, the New York statute from which it was borrowed had received judicial interpretation in the courts of that state, as well as the federal courts, sustaining it on every important point on which it had been assailed.

The law having thus received judicial sanction, which seemed to firmly establish its validity, undoubtedly induced the legislature to believe that it could be safely followed in this state. The precise point presented in the *Black* case had not been raised against the New York act or passed on by the courts of that state.

The objection held fatal to our act arises from the definition of the words "estate" and "property" in sec. 19, Chap. 355,

¹8 Howard, 490.

²113 Wis., 205; 89 N. W. Rep., 522.

Laws 1899, identical with sec. 22, in Chap. 399, Laws of New York, 1887, as amended, which are declared to mean the whole estate of the testator, intestate, or grantor, and not the separate shares of property passing to the individual beneficiaries. The tax is imposed on the transfer of property of the value of \$10,000 or over. There is but one exemption of that amount from the whole body of the estate, so that one beneficiary who is entitled to a legacy of a specified sum from an estate in excess of \$10,000 will be taxed and receive less than another in the same relation to a decedent, entitled to a like amount from an estate under \$10,000, exempt from taxation. It was upon the ground of an unreasonable classification of persons in the same relation for taxation and inequality and injustice resulting from this provision of Chap. 355 that the act was declared unconstitutional.

The Legal Status of the Inheritance Tax in Wisconsin.

The enactment of Chap. 355 of 1899 and the amendment of 1901 indicate that the legislative policy will be in favor of a law for the taxation of inheritances modeled after the best systems prevailing in other states and based upon sound legal, economic and fiscal principles.

It will, therefore, be useful to examine the defects in the present law to the end that the objectionable and discriminatory features may be avoided and the proper classification, exemption and progression observed in framing a bill for consideration of the legislature to become a law with their approval. At the outset the grounds upon which the existing law was pronounced invalid should be stated.

The reasons are set forth in the following extracts from the opinion of the court delivered by Mr. Justice Winslow in *Black vs. State* above referred to.

"The tax which this law authorized is what is generally known as an 'inheritance' or 'succession' tax. Such taxes are very ancient in origin, and have been long in use, especially in European states. The states of the Union have been singularly slow in adopting such laws, but the number of states to adopt and enforce them is increasing year by year. To review the history of such legislation would be a mere affectation of

learning, and would serve no useful purpose in the decision of this case. The Wisconsin tax commission in their report submitted to the legislature in the ear 1898, justly say, 'It is very clear that the overwhelming weight of judicial authority sustains legislation of this character, and equally clear that, in the wealthiest and also the most progressive states, statutes exist or are being enacted for the collection of succession taxes.' It was doubtless in response to the favorable recommendation of the commission that the present law was passed at the following session of the legislature. Examination of the law shows that it is in all essential respects a literal copy of the New York law.

. A tax law which makes unjust discrimination,—which taxes one person at one rate, and another one, within the same class and under like circumstances at another rate, or exempts him altogether—denies the equal protection of the laws. This must be self-evident. There may indeed be classification; and if the classification be founded upon real differences, affording rational grounds for a distinction, such classification will not violate the rule of uniformity and equality. So, also, there may be exemption, but the exemption must be reasonable in amount, and founded, also, on rational grounds.

These, then, are the vital questions in this case: (1) Is the exemption of all estates under \$10,000 in value reasonable? And (2) is the attempted classification a legal and rational one? As to the exemption, we confess that, especially with regard to devises or transfers to strangers and collaterals, it seems very large. It is much larger than is allowed by most of the inheritance laws in other states. In New York the exemption in such cases is only \$500, while in case of devises or transfers to lineal descendants and other near relatives it is \$10,000. In most of the other state laws where exemptions are allowed, they run from \$250 to \$1,000; but in Massachusetts the exemption limit is fixed at \$10,000, and in Montana at \$7,500. Both of these last-named laws have been sustained by the courts of last resort in the states, respectively, in which they were enacted, and in both cases the question of exemption was raised and discussed. *Minot v. Winthrop*, 162 Mass. 113, 38 N. E. 512, 26 L. R. A. 259; *Gelsthorpe v. Furnell*, 20 Mont. 299, 51 Pac. 267, 39 L. R. A. 170. In Massachusetts, it is true, there was no constitutional provision of uniformity governing the tax, but in Montana there is a constitutional provision requiring a uniform rate of taxation. In both cases cited, the exemption was sustained on the ground that the cost of administration of small estates is proportionately larger than that of large estates,

and that this operates to diminish the amounts received by beneficiaries, and that it appears that such laws have usually granted exemptions, and that the amount of exemption is peculiarly a subject for the exercise of legislative discretion. In our state the right to make reasonable exemptions in tax laws has always been recognized, and, of course, the legislature must be the first judge as to the proper amount thereof. No court will assume to say that the legislature is wrong in its judgment as to the amount, unless such error appears so clearly as to leave no reasonable doubt. So, while we would have been better pleased had the exemption been more nearly in accord with the general rates of exemption as fixed in other laws, we do not feel that we can say, in opposition to the judgment of the legislature, that the amount fixed is unreasonable.

Passing then to the question of classification, we reach really the crucial point of the case. We have endeavored to give this subject the most careful thought and investigation, but we have been unable to convince ourselves that the attempted classification in this law answers the requirements of legal and constitutional classification. It is a trite expression that classification, in order to be legal, must be rational; it must be founded upon real differences of situation or condition, which bear a just and proper relation to the attempted classification, and reasonably justify a difference of rule. It is well settled that there may justly be classification between lineal descendants, collateral relatives, and strangers; each may be made a class, and a different rule applied, because there are real differences of situation and in the considerations applicable to the various classes. It has been decided, also, that a progressive law which levies one rate of tax on all receiving over \$10,000 and not exceeding \$20,000 and a higher rate on all receiving over \$20,000 and not over \$50,000, and so on upwards, is a valid law, and that such classification does not violate the rule of equality, because the classes are proper classes, and all members of a given class are treated alike. *Magoun v. Bank*, 170 U. S., 283.

"This latter provision is not involved in the present case, as there is no such element in our law. But while classification is proper, there must always be uniformity within the class. If persons under the same circumstances and conditions are treated differently, there is arbitrary discrimination, and not classification. It is claimed that such is the effect of the present law, and we can see no escape from the conclusion. People in the same class are subject to different rules, some being exempt and some being taxed. This results from the peculiar

provisions of section 19 of the law, which defines 'estate' and 'property' as construed by the New York courts before we borrowed the law. As already pointed out, under this provision the \$10,000 limitation or exemption is based on the size of the whole property devised or granted, and not upon the amount received by each individual legatee or grantee. Thus it results that one collateral relative, receiving a legacy of \$2,000 from one testator, whose estate amounts to but \$9,500, pays no tax, while another collateral relative in the same degree, receiving a legacy of \$2,000 from another testator whose estate amounts to \$10,500 is obliged to pay a tax. Here is unlawful discrimination, pure and simple. No rational distinction or difference can be drawn between the two legatees simply because the estate from which their legacies came are of slightly different size. They are both within the same class, surrounded by the same conditions, and receiving the same benefits. One pays a tax, and the other does not. This is not the equal protection of the laws."

The court thus in the Black case have decided that an inheritance tax making just classifications of persons under like conditions and circumstances with reasonable exemptions is not obnoxious to the constitutional rule of uniformity and equality before the law. In determining the form and character of the proposed legislation for the taxation of property transmitted by will or intestacy, it is important that the views of the court be carefully understood so that the law will be in harmony with the state constitution and will not by any gross inequality transcend the limitations arising from those fundamental conceptions of free government, which underlie all constitutional systems.

The reference to the decision is for the purpose of presenting a just and proper classification of direct and collateral heirs, the amount of exemption, the legal theory and the wisdom and expediency of the law, and the progressive rate of the tax permissible as estates increase in value from small to large amounts. It is also clear that the exemptions should not be so large or unreasonable that the law will be condemned on that ground.

Legal Theory for the Tax.

In concluding the discussion of the questions involved in the construction of the act in controversy the true theory upon which the inheritance tax is based is stated by the court in the Black case as follows:

"We have reached this conclusion reluctantly. We should far rather have sustained the law, but the conclusion has been forced upon us. We agree with the general principles which have been approved by the overwhelming weight of authority in the courts of this country, with reference to inheritance or succession tax laws. Those principles are, in brief, that such taxes are taxes upon the right to receive property, and not upon property itself; that classification between lineals and collateral relatives and strangers does not violate the rule of uniformity, nor the principle of the equal protection of the laws; and that reasonable exemption of small estates also may be allowed without violating uniformity. We have been compelled to condemn the present law, notwithstanding the foregoing general conclusions in favor of the validity of such laws in general, because, under its peculiar provisions, unlawful discrimination necessarily results between beneficiaries in the same class."

PROPOSED LAW.

The acts creating the commission and enlarging their powers provide "they shall formulate and recommend such legislation as may be found necessary to prevent the evasion of just and equal taxation and for the improvement of the system of taxation in the state."

While the act of Congress was in force inheritances were taxed by the federal government and again by the states. The repeal of the federal tax or duty on legacies and distributive shares of personal property, opens a clear field to the states for the imposition of taxes on lines approved by the best thinkers in law, economics, and finance. We have carefully examined the systems in force in other states and countries with the view of formulating a measure in accord with modern methods of taxation and such as will tend to ameliorate the unsatisfactory conditions arising out of the administration of the general property tax.

It may be said in extenuation of this somewhat lengthy discussion of the subject that the legislature should be fully advised of the progress in other states and countries to the end that if the taxation of inheritances is continued in this state, a just, rational and progressive system may be adopted which in scope and efficiency will conform to the best modern methods and lay the foundation for tax reform in other directions.

The discussion of classifications, exemptions, rates and the progressive character of the proposed measure will be postponed until after the outline of the bill is stated. The administrative provisions regulating the mode of collecting the tax are similar to those in the laws of 1899 and 1901 with necessary amendments, and are too voluminous to be inserted in this report.

The Provisions.

The essential parts of the bill are in substance as follows:

A bill for a tax on gifts, inheritances, bequests, legacies, devises and successions in certain cases.

SECTION 1. A tax shall be and is hereby imposed on the transfer of any property, real, personal or mixed, or any interest therein, or income therefrom, in trust or otherwise to any person, association or corporation except corporations of this state organized under its laws solely for religious, charitable or educational purposes which shall use the property so transferred exclusively for the purposes of their organization, in the following cases:

(1) When the transfer is by will or by the intestate laws of this state from any person dying possessed of the property while a resident of the state.

(2) When a transfer is by will or intestate law of property within the state or within its jurisdiction and the decedent was a nonresident of the state at the time of his death.

(3) When the transfer of property is made by a resident or by a nonresident when such nonresident's property is within this state, or within its jurisdiction by deed, grant, bargain, sale or gift, made in contemplation of the death of the grantor, vendor or donor, or intended to take effect in possession or enjoyment at or after such death.

(4) Such tax shall be imposed when any such person or corporation becomes beneficially entitled, in possession or expectancy to any property or the income thereof, by any such trans-

fer whether made before or after the passage of this act, provided that property or estates which have vested in such persons or corporations before this act takes effect shall not be subject to the tax.

(5) When any property is transferred by the exercise of the power of appointment.

(6) The tax so imposed shall be upon the clear market value of such property at the rate hereinafter prescribed and only upon the excess of the exemptions hereinafter granted.

Primary Rate of Tax.

SECTION 2. When the property or any beneficial interest therein passes by any such transfer where the amount of the property shall exceed in value the exemption hereinafter specified, and shall not exceed in value \$25,000 the tax hereby imposed shall be:

(1) Where the person or persons entitled to any beneficial interest in such property shall be the husband, wife, lineal issue, lineal ancestor of the decedent or any adopted or mutually acknowledged child, at the rate of one per centum of the clear value of such property.

(2) Where the person or persons entitled to any beneficial interest in such property shall be the brother or sister or a descendant of a brother or sister of the decedent, a wife or widow of a son, or the husband of a daughter of the decedent, at the rate of one and one-half per centum of the clear value of such property.

(3) Where the person or persons entitled to any beneficial interest in such property shall be the brother or sister of the father or mother or a descendant of a brother or sister of the father or mother of the decedent, at the rate of three per centum of the clear value of such property.

(4) Where the person or persons entitled to any beneficial interest in such property shall be the brother or sister of the grandfather or grandmother or a descendant of the brother or sister of the grandfather or grandmother of the decedent, at the rate of four per centum of the clear value of such property.

(5) Where the person or persons entitled to any beneficial interest in such property shall be in any other degree of collateral consanguinity than is hereinbefore stated, or shall be a stranger in blood to the decedent, or shall be a body politic or corporate, except religious, charitable or educational corporations specified in the first section, at the rate of five per centum of the clear value of such property.

Rates, Exemptions and Classifications of Persons and Amounts of Property in proposed Bill for Inheritance Tax.

Number of personal class.	The persons falling in each classification.	Classification of property by amounts with primary and progressive rates of tax.				
		1st Class.	2d Class.	3d Class.	4th Class.	5th Class.
		On excess after deduction of exemption from \$25,000	\$25,000 to \$50,000.	\$50,000 to \$100,000.	\$100,000 to \$500,000.	Excess over \$500,000.
		Primary rate.	Multiply primary rate by 1½	Multiply primary rate by 2.	Multiply primary rate by 2½	Multiply primary rate by 3.
		Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
1.	Husband, wife, lineal issue, lineal ancestor, adopted or mutually acknowledged children.	1.	1.5	2.	2.5	3.
2.	Brothers, sisters, and descendants. Wife or widow of a son, husband of a daughter.	1.5	2.25	3.	3.75	4.5

3.	Uncles, aunts and descendants.	\$250.	3.	4.5	6.	7.5	9.
4.	Great uncles, great aunts and descendants.	\$150.	4.	6.	8.	10.	12.
5.	Persons in other degrees of collateral consanguinity, strangers and corporations not exempt.	\$100.	5.	7.5	10.	12.5	15.

Progressive Rate.

The foregoing rates are for convenience termed the primary rates. When the amount of the clear value of such property exceeds \$25,000, the rate of tax upon such excess shall be as follows:

(1) Upon all sums in excess of \$25,000 and up to the sum of \$50,000, one and one-half times the primary rate.

(2) Upon all sums in excess of \$50,000 and up to the sum of \$100,000, two times the primary rate.

(3) Upon all sums in excess of \$100,000 and up to \$500,000, two and one-half times the primary rate.

(4) Upon all sums in excess of \$500,000, three times the primary rate.

Exemptions.

The following exemptions are allowed:

(1) All property transferred to corporations of this state organized under its law solely for religious, educational or charitable purposes, which shall use the property so transferred exclusively for the purposes of their organization within the state shall be exempt.

(2) Estates of the clear value of \$10,000 or less transferred to the widow of the decedent and \$2,000 transferred to each of the other persons described in the first subdivision of section 2, shall be exempt.

(3) Estates of the clear value of \$500 transferred to each of the persons described in the second subdivision of section 2 shall be exempt.

(4) Estates of the clear value of \$250 transferred to persons described in the third subdivision of section 2 shall be exempt.

(5) Estates of the clear value of \$150 transferred to persons in the fourth subdivision of section 2 shall be exempt.

(6) Estates of the clear value of \$100 transferred to persons and corporations described in the fifth subdivision of section 2 shall be exempt.

The classification of persons, exemptions, primary and progressive rates of the tax imposed is shown in the preceding table.

MAIN PROVISIONS OF THE BILL.

The chief provisions of the bill above outlined and illustrated in the table discloses several marked changes from the law of 1899, which should receive attention so that the measure may be fully understood. The first important change that will be observed is that the transmission of both real and personal property is taxed, while the former law included personal property only.

An examination of the inheritance laws of the twenty-seven states in this country, shows that in twenty-four states, real estate descending or transmitted to collateral heirs is taxed;—Minnesota, North Carolina and Wisconsin being the exceptions to the rule. In twelve states imposing the tax on estates passing to direct heirs, six tax real and personal property, and six, personalty alone.

England, France, Holland, Germany, several of the cantons of Switzerland, Australia and many other nations collect a succession tax or duty on the devolution of real estate, although the rate may occasionally differ from that on personalty.

Unless the inheritance tax is compensatory of taxes on personalty evaded during life of the predecessor, no logical ground can be found to differentiate land from personal property. The weakness of the back tax theory has been heretofore stated. The position is supported by the opinion of the United States Industrial Commission: "The inequalities of the general property tax as actually administered can never be remedied by a tax on inheritances, unless it is made to apply only to property which can be shown to have escaped taxation. The inheritance tax as it is usually found is not proportioned to the extent to which the property tax has been evaded."¹

The back tax argument is in effect based on the idea that property as such owes a duty to pay taxes. The state has relations with persons who are bound to support it. It has been truly said it is the owner of property on whom such duty rests and it is such person who is under obligation to pay the taxes.

¹19 Industrial Commission Reports, 1054.

Persons, not property, pay taxes. Likewise, it is the individual, not property that intentionally evades taxation. The back tax argument will better support the system peculiar to parts of Switzerland where, as soon as the tax payer dies, his entire estate is seized by the government and held until an exact inventory is made. If this discloses fraud in previous self-assessments, punitive taxes must be paid, ranging in some cantons over a period of ten years.¹

The inheritance tax rests on more equitable and rational principles. It should be adjusted to treat every person alike. No reasonable or practicable mode for working out a proper scheme of uniformity can be devised which does not include the succession to all classes of property. The highly complex conditions existing in the industrial and financial world to-day tend strongly to support this contention. The conduct of business of large magnitude is almost without exception carried on under corporate organization and management. The corporation is a legal entity, enjoying perpetual life and succession until dissolved by the action of its members or the decree of a court. Upon its death by dissolution, the probate court has no jurisdiction to administer and distribute its assets, nor are inheritance tax laws framed to directly reach corporate property *eo nomine*. The corporations usually own valuable real estate, with personal property, consisting of goods, wares, merchandise, raw and manufactured products in great variety, depending on the business in which the corporation is engaged. The interest in all such property is represented by the shares of capital stock or stock and bonds. The law for certain purposes recognizes that the shareholders and the corporation are different entities and the ownership of shares and corporate property are separate in name, yet from an economic and financial point of view, it is perfectly clear and plain that the shareholders are the corporation and the owners of its property. The transfer or devolution of the shares of stock or bonds of a corporation on the death of the owner, is subject to the inheritance tax from the beneficiary who receives them, at their clear

¹ Seligman, Essays in Taxation, 387.

value. Their value in part at least is determined by the value of the real estate and personal property of the corporation with other possible elements such as good will, etc.

If the real estate of a corporation is thus reached, why should real estate passing from an individual to his heirs be a more favored acquisition than in case the real interest comes to the recipient in form of stock or bonds. The faculty or ability to pay is as great in one case as in the other. The interest is equally valuable to the beneficiary whether in lands or tangible or intangible personalty. The accidental ownership of one kind of property at death should not create liability or the possession of a different class, wholly exempt.

One capitalist may invest his means in lands, or tangible personal property; another in mortgages, stocks or bonds, or there may be mixed ownership, partly in lands and partly in securities. Investments may be changed from time to time. The mere fact that an estate happens to be of a particular kind of property at death ought to make no difference in a tax upon the privilege of succeeding to the beneficial enjoyment of the property without toil or service. Estates of sufficient size above exemptions passing to direct heirs will generally belong to persons who are in possession of property of a mixed character, both of land and securities so that no injustice will result by a tax on the devolution of all the kinds of property.

Classification of Persons.

The first class is based on the domestic relation of the parties, the perpetuity of the means of family support, the right of inheritance and embrace those preferred in the statutes governing the descent and distribution of the property of intestates. Embraced in this class are those in the closest family unity and relationship, having the highest natural and legal claim upon the property of the decedent.

In the ascending line are parents and grandparents, and in the descending line, children, adopted and mutually acknowledged children and their descendants.

In the second class are brothers and sisters, with their descendants, and the widow of a son, or the husband of a daugh-

ter. The issue of a son or daughter, however, would fall within the first class.

The third, fourth and fifth classes are those ordinarily made in inheritance laws for remote collateral heirs and strangers in blood and need no explanation.

Exemptions.

Ch. 355, Laws of 1899, imposed a tax on the "transfer of any personal property of the value of ten thousand dollars or over." When the whole estate was less than that sum no part was taxed. But if the value of the entire estate was equal to or exceeded \$10,000 every dollar was taxed whether there was one or many beneficiaries entitled to share in the property. While the framers of the act may have intended an exemption in all cases it is construed to not allow any exemption in estates of \$10,000 or over. Had \$10,000 been exempt in all estates, and the tax laid on the excess, the law might have met with a different fate.

In a law contemplating progressive rates, the exemption of a lump sum out of the body of the estate, instead of an exemption from the shares passing to individual beneficiaries, would lead to gross discrimination between persons in the same class.

To avoid arbitrary and unjust classification the exemption of a stated amount is allowed to each individual share and the excess over the exemption only is taxed. The exemption is out of the clear value of the property; that is, after all debts of the decedent are paid, including liens or incumbrances on property, the beneficiary is entitled to the prescribed exemption out of such value and the tax is imposed on the residue.

No absolute standard exists to determine the amount of the exemptions. They must be determined more or less arbitrarily, having due regard for the needs and well being of members of the family and the best interests of society. The exemption has been fixed to prevent hardship and to leave untaxed a sufficient revenue to support members of the family and those dependent upon the decedent for maintenance. The exemption as applied to separate shares, recognizes the effect of the size of the family upon property for support more completely than in any other form of taxation.

Generally the husband is the owner of the property which can be applied in case of his death to the maintenance of those dependent upon him. The widow would naturally, therefore, seem to require the first consideration and should be allowed the highest exemption for the support of herself, which is fixed at ten thousand dollars.

The law of 1899 taxed transfers to husband and wife with exemptions as before stated. This policy has been followed in the proposed new act, suitable exemptions having been provided. The Act of Congress exempted all transfers to husband and wife, for the reason perhaps that transfers to them were taxed under state laws then in operation.

Each child has an exemption of \$2,000, which will make the aggregate exemption to the members of the family greater or less according to the number of children in case property passes under the intestate laws or by will in the same proportion.

The exemption to the widow invested at five per cent. will produce an annual income of \$500, and for minor children this income will be increased by the exemption to them. The provision thus made will enable widows to live in a modest manner and very nearly in as comfortable and independent condition as during the life of the husband, and maintain and educate the minor children.

The amount of exemptions to brothers and sisters and others in the second class are believed to be as liberal as is generally granted in similar laws. It is greater than the sum exempted in a majority of the states to collateral heirs, being the same as in Iowa and West Virginia; more than is allowed in thirteen states and less than in seven states. Five states permit no exemptions to collateral heirs.

The amount exempted in the third, fourth, and fifth classes are substantially in accordance with the custom elsewhere. The only doubt is whether they should not be reduced or stricken out of the bill.

The exemption of property transferred to corporations is confined to corporations of this state organized under its laws, solely for religious, charitable or educational purposes, which

shall use the property so transferred exclusively for the purposes of their organization within the state.

It seems wise and consistent with public policy that exemptions shall extend only to corporations within the state over which the visitatorial power of the state does or may extend to keep them within the purposes of their organization, to compel their officers to lawfully discharge their trusts in the management and disposition of the funds and property committed to their charge and prevent the alienation of property contrary to the provisions of law or for purposes foreign to the lawful business and objects of such corporations.

The exemption is a privilege almost invariably granted by the state to its own citizens and corporations, and if property is transmitted to foreign corporations over which the state has no control, it is reasonable to tax such transfer.

Operation of Primary Rate of Tax.

The percentage on the excess over exemptions up to \$25,000 of the clear value of the estate or the property, is from one to five per cent., dependent on the relationship of the beneficiaries to the decedent, as shown in the foregoing table, and is for convenience designated as the primary rate. The clear value is what remains after payment of debts, liens, incumbrances and expenses of administration. From the clear value is then deducted the exemption to which the particular beneficiary is entitled. For example, to a widow \$10,000, making a difference between that amount and \$25,000, namely \$15,000, to be taxed at one per cent., or at that rate upon any less sum.

The effect upon the family can be illustrated by taking an estate of a decedent of the clear value of \$25,000, leaving a widow and six children. To the widow is bequeathed \$10,000, and the balance equally divided between the children. The aggregate exemptions to the widow and children will amount to \$22,000, leaving only \$3,000 of the estate to be taxed.

While the exemptions are less and the rate higher in the other four classes, the result can be similarly worked out to ascertain the tax on the amounts in excess of the exemption up to \$25,000 or any less value of the share.

Operation of Progressive Rates.

The table shows a progressive rate of tax as the value of the estates passing to the various beneficiaries increase in size, divided into classes according to amount, with a specified percentage upon the amount within each class.

One example will explain the whole system. To the widow is transferred by will or intestacy for her individual share, property of the clear value of \$1,000,000. Deducting her exemption from \$25,000, she will be taxed on \$15,000 at one per cent. (\$150); on the next \$25,000 at $1\frac{1}{2}$ per cent. (\$375); on \$50,000 at 2 per cent. (\$1,000); on \$400,000 at $2\frac{1}{2}$ per cent. (\$10,000); and on the excess over \$500,000 at the rate of 3 per cent. (\$15,000); or a total tax on one million dollars of \$26,525. The same method can be pursued for computing the tax on all amounts in the schedule for the progressive rate. The tax is computed on the amount coming within each class and the aggregate of the several items will constitute the tax on each separate share. In this respect the bill differs from the Act of Congress and the laws in several states which impose the rate applicable to the maximum value of the share passing to the heir.

The act of Congress provided for a tax or duty on legacies to persons divided into five classes with a primary rate from three-fourths of one per cent. to five per cent. on the value above exemption up to \$25,000 and a progressive rate as follows: Where the amount or value of such property shall exceed \$25,000 and not exceed \$100,000, the rate of tax or duty shall be multiplied by $1\frac{1}{2}$; exceed \$100,000 and not exceed \$500,000, shall be multiplied by 2; exceed \$500,000 and not exceed \$1,000,000 shall be multiplied by $2\frac{1}{2}$; exceed \$1,000,000 shall be multiplied by 3.

Under this act when an estate exceeds \$1,000,000 transferred to direct heirs, it is taxed at 3 per cent. on the whole, less exemption of \$10,000, while under the proposed bill a tax is imposed on the amount falling within each class so that the total is considerably less than taxing the maximum value of a share at the highest rate. Besides, as estates approach near to or just pass the dividing lines of classification, the beneficiary receiving a larger sum than in the next lower one will

by reason of a higher tax actually receive less than the one in the lower class taxed at a less rate. Thus under the act of congress a beneficiary of the first class receiving \$99,900 above the exemption would pay at the rate of 1.125 per cent., being \$1,123.87, leaving net \$98,776.13 as his share. Another person in the same relation bequeathed \$100,100 above exemption, pays on the whole sum at the rate of $1\frac{1}{2}$ per cent., in all \$1,501.50, receiving net \$98,598.50, or \$177.63 less than the individual with the legacy of \$99,900.

The discrimination resulting from the practical operation of the act of congress is found in the law in force in a few of the states for a progressive tax. The discrimination, however, has been held not to invalidate the law on the familiar principle that absolute equality in taxation is not attainable, and the fact that a tax law works inequality in its actual operation does not prove its unconstitutionality.¹

Under the provisions of the proposed bill both of the beneficiaries last taken for illustration would pay a tax of one per cent. on the amount above exemptions up to \$25,000; one and one-half per cent. on the next \$25,000, and the first beneficiary two per cent. on the balance going to him of \$49,900, and the second, two per cent. on \$50,000, and two and one-half per cent. on \$100, thereby avoiding the discrimination and inequality above referred to.

The English legacy, succession and estate duties upon inheritances are divided into five classes according to relationship to the decedent, with progressive rates which vary from one to eighteen per cent. of the value of the property. In other foreign countries the rate ranges from the minimum of one or two per cent. to ten or fifteen per cent. and in some of the cantons of Switzerland even higher.

The progression of the estate duty under the English Finance Act of 1894 is shown in the following table.²

¹Magoun v. Illinois Trust & Savings Bank, 170 U. S., 283.

²Manson, Death, Duties, 74.

The rate of estate duty is a rate increasing according to the aggregate value of the whole estate, and is as follows:

Where the principal value of the estate		Rate, per cent.
Pounds.	Pounds.	
Exceeds 100 and does not exceed	500.....	1
Exceeds 500 and does not exceed	1,000.....	2
Exceeds 1,000 and does not exceed	10,000.....	3
Exceeds 10,000 and does not exceed	25,000.....	4
Exceeds 25,000 and does not exceed	50,000.....	4½
Exceeds 50,000 and does not exceed	75,000.....	5
Exceeds 75,000 and does not exceed	100,000.....	5½
Exceeds 100,000 and does not exceed	150,000.....	6
Exceeds 150,000 and does not exceed	250,000.....	6½
Exceeds 250,000 and does not exceed	500,000.....	7
Exceeds 500,000 and does not exceed	1,000,000.....	7½
Exceeds 1,000,000		8

Where, however, the gross value of the property in respect of which estate duty is payable, exclusive of property settled otherwise than by the will of the deceased, does not exceed 300 pounds, a fixed duty of 30 shillings can be paid. Where it exceeds 300 pounds, but does not exceed 500 pounds, the fixed duty is 50 shillings.

In addition to the estate duty payable as above, the legacy and succession duties are also added, which in certain estates will cause an increase of the rate to eighteen per cent.

The progressive rates with the application of the same to amounts within the defined classes in the proposed bill will treat all alike. An estate of \$500,000 or over will pay the same tax on the first \$100,000 as an estate just equal to the last named amount. It is not burdensome to small or medium sized estates, and the tax adjusts itself to the number in the family dependent upon the decedent for care and support. This is demonstrated by taking the estate of a father of the clear value of \$50,000, passing to his widow and six children in the following shares:—to the widow \$25,000, and the balance equally to the children. After deduction of the exemptions allowed to each, the tax on the widow's share will be \$150, and on the children's shares \$130, or a total on all the shares of \$280. The tax will vary, of course, when the body of the

estate is equal in value as above, but the disposition is not in the same proportion or the beneficiaries are different in number.

The minimum rate of one per cent. on property passing to the direct heirs is much less than the annual tax levy on general property in cities, and the highest rate of three per cent. is frequently exceeded by such annual levies for state, county and local purposes. The taxation of inheritances was in operation in this state a little more than two years. The whole revenue to the state and counties of \$71,520.84 was practically all received during the years 1901 and 1902. The lightness of the tax as a burden upon the people relatively with that on the general property of the state is shown by the fact that taking the period of two years the inheritance tax was in force, it was only three and one-half cents per capita, while the general property tax for state, county and local purposes for 1900 and 1901, combined, was \$18.55 per capita.

The inheritance tax in 1901 was 55 cents per capita in New York, 19 in Pennsylvania, 18 in Massachusetts, 16 in California, 24 in Connecticut, .6 in Missouri, and .8 in New Jersey.

It may be said the husband may by will desire to leave his entire estate to his widow for disposition among the children at her discretion, in which event one exemption is allowed, with the tax on the residue. Even then the tax will be quite moderate. Furthermore, knowing the precise burden to which the estate will be subject, following such disposition, the testator is likely to make adequate provision in the will to meet the tax, or possibly the increased tax may bring to the mind a more perfect comprehension of the extent of his property, his relations to those who might naturally expect to become the objects of his bounty, and the scope and effect of the contemplated disposition of property. The duty to children under these circumstances will not be forgotten or capriciously set aside by men of sound judgment and discretion.

The statute of wills in states similar to our own have been severely criticised as affording no protection to the natural rights or claims of children, who may, whether minors or adults, be absolutely disinherited. The widow is in a degree

protected against the disposition of the property of the husband, by her dower and homestead rights, but the children have none guaranteed to them by law.

It is hardly the place in this report to discuss the wisdom of the law of wills, and the almost unlimited power of the disposition of property. But it may be pertinent to suggest that the inheritance tax in the form submitted will rather tend than otherwise to the more careful consideration of the rights of children by parents in the disposition of their property.

INTERSTATE COMITY.

The bill in question conforms to the idea of interstate comity so far as the conditions now existing in this country will permit. It applies only to real estate and tangible personal property within the state. It proposes to tax intangible property like money and the various forms of securities which follow the person and have a situs for taxation at the domicile of the owner, belonging to residents of the state.

REFUND OF TAX.

The state has received the sum of \$59,767.14 from inheritance taxes under the act of 1899, which is held to be unconstitutional. The tax has been exacted without the authority of law. The right to impose a tax upon the transfer of property must rest upon a valid legislative enactment. The power to tax being legislative there must be distinct authority of law for the imposition of taxes in all cases, whether directly upon property or upon the transmission or devolution of property at death.

It will be for the legislature to determine whether the right of the individuals who have paid the tax into the state treasury shall be recognized by the enactment of a law for the audit of the claims and repayment of the amounts collected to the persons entitled to the same.

CHAPTER V.

TAXATION OF CREDITS.¹*I. Status of the Law.*

There have been no recent changes in the laws of this state respecting the taxation of credits. The constitution seems to leave the matter largely in the discretion of the legislature by the provision in Section 1 of Article VIII, that "taxes shall be levied upon such property as the legislature shall prescribe." This provision is subject to the restriction, in the same section, that "the rule of taxation shall be uniform."

The authority thus given to the legislature to determine what kinds or classes of property shall be subject to taxation necessarily implies that the legislature may exempt from taxation such kinds or classes of property as to it seems wise or expedient provided the exemptions are not unreasonable, are uniform in their application to the classes of persons or property to which they relate, and do not involve arbitrary or discriminating classification².

Under this constitutional authority the legislature has "prescribed" that "taxes shall be levied upon all property in this state except such as is exempted therefrom,"³ and that the term "personal property" as used in the assessment laws "shall be construed to mean and include . . . all debts due from solvent debtors, whether on account, note, contract, bond, mortgage or other security, or whether such debts are due or to become due."⁴

¹ In this discussion the term "credits" is intended to include obligations of every nature, secured or unsecured, subject to taxation under Wisconsin laws, unless a different meaning is plainly indicated by the context.

² *Wisconsin Central Railway Co. vs. Taylor County*, 52 Wis., 37; *Black vs. The State*, 113 Wis., 205; S. C., 89 N. W. Rep., 523.

³ Section 1034, Stat. 1898.

⁴ Section 1036, Stat. 1898.

The laws of the United States provide that bonds and other obligations of the United States shall be exempt from taxation, except that "United States legal tender notes and other notes and certificates of the United States payable on demand, circulating or intended to circulate as currency" and the circulating notes of national banks, may be subject to taxation under state laws.¹

The statutes of this state exempt from taxation "so much of the debts due or to become due to any person as shall equal the amount of bona fide and unconditional debts by him owing."² As to other kinds or forms of property no deduction or exemption is allowed on account of debts owing.³

In addition to the exemptions mentioned above, credits held by banks, trust companies, life and fire insurance companies and various other corporations taxed by license fee or other special method in lieu of taxation upon their personal assets as property, are not subject to assessment for taxation.⁴

It is believed also that credits owned by persons whose legal residence is in another state although owing by residents of this state and secured upon property in this state, are not subject to taxation here under existing statutes.⁵

¹ U. S. Rev. Stat. 1878, Sec. 3701; Act of Cong. approved August 13, 1894—28 Statutes at Large, p. 278, Ch. 281.

² Subd. 10, Sec. 1038, Stat. 1898. The term "person" undoubtedly includes corporations as well as natural persons.

³ But in *Ruggles vs. Fond du Lac*, 53 Wis., 436, it is held that shares of stock in a national bank may be regarded as a species of credit so as to entitle the shareholder to exemption of such shares from taxation to the extent of bona fide debts owing by him. This ruling is equally applicable to shares of stock in other incorporated banks.

⁴ In addition to the corporations mentioned above whose credits are thus exempt from direct taxation, are railroads, street railway, telegraph, telephone, title guaranty, express and sundry other classes of companies of less importance as regards the quantity of credits usually included in their assets. Credits arising from loans by building and loan associations to their members are also exempt. Subd. 24, Sec. 1038, Stat. 1898.

⁵ *State ex rel. Dwinnell vs. Gaylord*, 73 Wis., 316. In this case the creditor was a resident of Wisconsin, and the credits in question arose upon loans made to residents of another state secured by mortgages upon lands in such other state, the notes and mortgages taken upon such loans being in the possession of an agent of the creditor residing

From the foregoing it will be seen that while the laws of the state provide for the taxation as property of virtually every *kind* of credit known to business transactions, a very large portion of such credits are not and would not be assessed if the laws were fully and efficiently enforced.

The rules given by statute for determining the amount of credits for which any person shall be assessed, and the means provided by law for the discovery and listing of the same, are as follows:

"To determine the amount of notes, bonds, mortgages, or other securities for which any person should be assessed, and the amount of indebtedness which any person may be entitled to deduct from credits as exempt, such person shall be required to make a statement thereof under oath giving the average amount of such notes, bonds, mortgages or other securities owned or held by him, and the average amount of indebtedness which he may be so entitled to deduct, for each and every month during the year ending on the first day of May; and the average amount for such year, so determined, shall be assessed for taxation."¹

It is further provided that the assessor "after arriving at the total valuation of all articles of personal property which he shall be able to discover as belonging to any person, if he shall have reason to believe that such person has other personal property consisting of money, credits, debts due or to become due, or any other thing of value liable to taxation, he shall add to such aggregate valuation of personal property an amount which,

in such other state, who had authority to collect the demands, discharge the securities and re-loan the funds. It was held that the property—the thing to be assessed—consists in the right of the creditor to receive payment and enforce his demand and not in the paper evidences of such right in the possession of the agent; that in the absence of any statute expressly governing the matter, the property—the right of the creditor—can have no situs except at the legal domicile of such creditor; that therefore such credits are to be considered as located and subject to taxation in the assessment district in which such creditor resides in this state. Applying the same principles to a case where the conditions are reversed, as stated in the text, such credits would not be subject to taxation in Wisconsin—would not be "property in this state" within the meaning of that phrase as used in Sec. 1034, Stat. 1898, quoted on a preceding page.

¹ Sec. 1056, Stat. 1898.

in his judgment, will render such aggregate valuation a just and equitable valuation of all the personal property liable to taxation belonging to such person.¹

The foregoing outline presents all the laws of importance respecting the taxation of credits except those general provisions which relate to the assessment of all kinds of personal property. The law has thus stood for many years without substantial change except that the legislatures of 1899 and 1901 have enacted some provisions looking to a better enforcement of the assessment laws in general, which will be mentioned presently. There have never been *effectual* provisions in the laws by which sworn statements of credits liable to taxation have been obtained from property owners. Such owners, with comparatively few exceptions, have omitted or refused to furnish such statements; and in so far as credits have been assessed for taxation, it has been accomplished chiefly by the assessors themselves without information from such owners, or upon such unsworn and partial or incomplete information as they may choose to give.

The act creating the present commission (Chap. 206, 1899) provided in general terms that the commissioner of taxation "shall have general supervision of the system of taxation throughout this state," without other or more specific statement of authority or duty in respect to the administration of the assessment laws. The term of office of the commissioners appointed under such act did not begin until May, 1899. Before they could qualify and actively enter upon the discharge of their official duties, the work of local assessors for 1899 was so far advanced that there was virtually no opportunity for exercising such supervision in that season. The exercise of such power of supervision was undertaken in 1900. As shown above, the power was hardly more than supervisory. The principal effort was embodied in a pamphlet of instructions to local assessors and boards of review. The purpose of such pamphlet was to

¹ Sec. 1055, Stat. 1898. There is some question whether the assessor has power to increase the assessment of any individual for moneys or credits if the sworn statement required by Sec. 1056 has been furnished, notwithstanding the power conferred by Sec. 1055 quoted above. See Tax Commission's Instructions to Assessors, 1902, p. 43.

secure better observance of the law on the part of assessing officers. They were advised of the illegality of the practice of undervaluation of property and of the evils resulting therefrom, of the large amounts of intangible property including credits usually escaping assessment, and urged to a better performance of their duty, the more important provisions of law enacted for their guidance being pointed out and explained.

By Chapter 220, Laws of 1901, the powers of the commission were somewhat enlarged and made more specific. By chapters 330 and 379 of the same year assessing officers were made liable to penalties and to forfeiture and to removal from office for violation of official duty. By Chapter 445, Laws of 1901, the office of county supervisor of assessments was created, such officer having supervision, chiefly advisory, of the work of local assessors in his county, with permissive authority to make complaint for removal of assessors for violation of duty. By the provisions of said chapter 445 the county supervisor of assessments did not take office until January, 1902; consequently these officers had nothing to do with the assessment of 1901.

In 1901 the pamphlet of instructions to local assessing officers was revised and enlarged; the attention of such officers was called to the new laws mentioned above providing penalties, etc., and renewed and greater effort was made to induce such officer having supervision, chiefly advisory of the work of local assessment of property for taxation. This was supplemented by a voluminous correspondence containing special instructions and explanations of the law in answer to numerous inquiries and various requests for assistance received from individual officers in all parts of the state.

In 1902 the pamphlet of instructions was enlarged and extended to cover the subject more thoroughly and more in detail and greater stress was laid upon the duty of assessing officers to fully comply with the law. Special instructions by correspondence greatly exceeded those of previous years, and a number of circulars relating to particular topics were also sent out. In most of the counties the supervisor of assessments, under the supervision of the commission, performed his duties efficiently, and assessors were held to a much stricter observance of the law

than ever before. In the general instructions sent out from this office no attempt was made to require greater diligence in the assessment of credits than in assessing other property except that, as in previous instructions, it was shown that so-called intangible property, including credits, was more easily concealed and more generally withheld from assessment than tangible property and that greater diligence was required to prevent its omission. As the greater proportion of such escaping intangibles consists of credits, assessors very naturally received the impression that these were to be objects for special effort. In many counties the supervisor of assessments made special effort to assist the assessors in the discovery and listing of credits, especially those the evidences of which were matters of public record. It is not doubted that in general much greater effort was made to secure a full assessment of credits than of any other of those subjects of taxation which are easily concealed.

II. Statistics and Comment.

Some statements and discussion of the operation of laws for the assessment of moneys and credits are contained in the report of the tax commission created by Chap. 340, Laws of 1897, and also in the report of the present commission to the Legislature of 1901.¹ No attempt will be made to reproduce such statements and discussions but only to add such further information and comment as may be deemed useful.

In this state credits have not usually been assessed separately from moneys. For this reason it is impracticable to present statistics of the assessment of credits separately from moneys. But for all practical purposes the assessment returns under the head of moneys and credits may be treated as representing credits alone. The amount of actual money included under such head is so small a fraction of the whole that it may be safely disregarded for the purpose of this discussion.²

¹ Report of 1898, Chap. VI; Report of 1901, pp. 137-143.

² Very few persons keep any considerable amount of money in actual possession. It is usually "deposited" with a banker or some person sustaining the relation of banker to the depositor. Upon such deposit be-

Prior to 1889, the assessments of moneys and credits were not entered upon the local assessment rolls under a separate head—at least were not separately stated in the abstracts of assessments returned under the provisions now contained in sections 1066 and 1067, Statutes of 1898. It has been impracticable, therefore, to obtain statistics of the assessment of moneys and credits prior to 1889. Such statistics for 1889 and subsequent years are presented in the subjoined tables. In the preparation of such tables it has been sought to arrange the data in such manner as will best facilitate analysis and study of the statistics. It is believed that the descriptive headings of the several tables and the explanatory notes will render it unnecessary to make any further statement or explanation of their contents in this connection.

ing made, if made in the ordinary and usual way, a *credit* is created in favor of the depositor. His assessment on account of such deposits would therefore be an assessment of *credits and not of moneys*. Moneys in the custody of bankers are not liable to direct assessment for the reason that the assessment of shares of stock in incorporated banks and of the "capital" of unincorporated banks is in lieu of taxes upon the moneys and other personal assets of such banks. It is manifest therefore that, under present laws, very little actual money is or can be included in the assessment. The assessment of bank stock and banking capital—which, as shown above, largely takes the place of direct assessment of moneys—is made and entered upon the assessment rolls under another head separate from the valuation of moneys and credits.

TABLE A.

Showing for each of the years 1889-1902, inclusive, in the Entire State, the Total Local Assessment (1) of Real Estate, (2) of Personal Property, (3) of Moneys and Credits; Also the percentage ratios (1) of Personal Property to All Property, (2) Moneys and Credits to All Property, and (3) Moneys and Credits to Personal Property.¹

Year.	ASSESSMENT, ENTIRE STATE.				RATIOS, ENTIRE STATE. ²			
	Real Estate.	Personal Property.	Total of All Property.	Moneys and Credits. ³	Moneys and Credits per Capita. ⁴	Personal to All Property.	Moneys and Credits to All Property.	Moneys and Credits to Personal Property.
1889..	\$412,423,131	\$113,022,341	\$525,445,472	\$6,513,050	\$3.87	21.51	1.24	5.76
1890..	467,527,974	112,311,568	579,839,542	7,286,518	4.32	19.40	1.26	6.49
1891..	483,884,391	107,120,453	591,004,844	7,307,298	4.33	18.12	1.24	6.82
1892..	498,639,922	103,808,297	602,448,219	8,068,975	4.78	17.24	1.34	7.77
1893..	506,444,430	118,262,683	624,707,113	12,557,540	6.48	18.95	2.01	10.66
1894..	516,224,315	116,474,813	632,699,128	15,291,075	7.89	18.41	2.42	13.12
1895..	518,525,693	114,821,913	633,347,606	14,458,084	7.46	18.13	2.28	12.59
1896..	519,669,155	110,066,353	629,735,508	17,166,125	8.86	17.47	2.73	15.61
1897..	519,980,522	108,513,489	628,504,011	20,677,671	10.67	17.26	3.29	19.01
1898..	519,713,082	111,008,415	630,721,497	16,897,183	8.17	17.60	2.68	15.22
1899..	528,572,241	119,463,607	648,035,848	21,257,143	10.27	18.43	3.28	17.80
1900..	599,540,595	146,482,337	746,022,932	25,865,940	12.50	19.63	3.47	17.66
1901..	878,911,348	203,729,746	1,082,641,094	35,598,181	17.21	18.82	3.29	17.47
1902..	1,086,223,406	283,587,741	1,369,811,147	73,055,102	35.31	20.70	5.33	25.85

¹ Prior to 1889 the assessments of Moneys and Credits were not separately reported.

² The figures at the right of decimal point indicate *fractions of one per cent.*

³ The figures in this column for 1884, 1886, 1896, and 1897 are taken from the published reports of the Secretary of State. For the other years mentioned in the table the figures are taken directly from the certified abstracts of assessments furnished pursuant to Section 1067 Statutes of 1894.

⁴ Based on census of 1890 (Pop. 1,086,880), for the years 1889-1892; on state census of 1895 (Pop. 1,267,915), for years 1893-1897, and on census of 1900 (Pop. 2,068,042), for years 1898-1902.

⁵ Milwaukee County *estimated* at amount returned in 1889, viz.: \$2,403,670. In abstracts for Milwaukee County for 1890 and 1891, moneys and credits not reported separately from other personal property.

⁶ Bayfield, Kewaunee, Oneida and Sawyer counties not included. Milwaukee County estimated at amount returned in 1902, viz.: \$2,619,684. See note 5 above.

REPORT OF THE

TABLE B.

Showing by counties, the total local assessment of Moncys and Credits for the years 1898-1902, inclusive.

Counties.	1898.	1899.	1900.	1 901	1902.
Adams	\$11,680	\$11,341	\$10,105	\$37,680	\$132,458
Ashland	26,055	13,400	6,135	38,145	83,887
Barron	9,001	21,344	54,124	66,822	201,332
Bayfield	14,500	19,415	21,250	52,860	86,468
Brown	202,466	194,710	209,327	205,792	921,786
Buffalo	71,700	84,221	84,221	231,431	300,367
Burnett	12,495	14,175	15,490	15,745	45,680
Calumet	101,036	173,316	185,129	625,614	1,207,893
Chippewa	33,455	61,095	57,375	85,062	872,223
Clark	44,358	38,240	142,245	159,526	532,444
Columbia	655,148	730,737	944,610	1,679,068	2,750,483
Crawford	27,467	26,653	51,628	95,861	346,817
Dane	1,611,795	1,730,097	1,886,596	2,104,981	3,934,485
Dodge	330,481	376,745	419,575	990,057	2,993,998
Door	35,057	50,105	46,449	37,976	179,187
Douglas	770	3,300	1,125	250	1,875
Dunn	76,696	90,392	217,215	178,448	789,447
Eau Claire	20,542	335,628	171,834	202,867	891,239
Florence					23,013
For du Lac	196,913	538,725	782,021	850,899	2,952,183
Forest	1,900	2,700	3,950	3,846	26,994
Gates				810	16,614
Grant	296,714	312,657	357,996	1,416,600	4,192,668
Green	1,075,050	1,075,511	1,071,294	1,650,604	3,014,155
Green Lake	287,350	287,955	282,997	291,640	988,259
Iowa	315,762	1,022,427	966,522	1,083,436	1,815,640
Iron		2,172		2,218	4,199
Jackson	39,325	41,497	56,444	105,801	316,668
Jefferson	499,154	490,740	575,606	1,702,058	2,024,475
Juneau	111,389	94,233	161,905	153,207	532,594
Kenosha	229,360	284,835	253,385	359,510	1,286,209
Kewaunee	89,418	92,253	96,267	107,519	301,791
La Crosse	559,386	671,721	976,268	1,030,550	3,002,568
Lafayette	140,066	134,843	160,114	281,893	1,472,148
Langlade	63,210	21,780	9,925	17,245	22,117
Lincoln	540	925	1,440	808	170,892
Manitowoc	178,554	176,022	462,328	315,893	1,834,326
Marathon	7,983	3,708	34,430	218,095	522,636
Marinette	17,165	21,515	32,599	39,272	436,839
Marquette	7,980	10,750	21,290	53,084	189,527
Milwaukee	2,812,458	4,129,790	4,526,776	4,478,311	5,871,444
Monroe	69,249	82,860	285,961	319,950	893,494
Oconto	6,425	4,745	220,208	19,856	78,320
Oneida	100	475			40,456
Outagamie	88,826	131,230	159,651	282,327	1,158,947

TABLE B—Continued.

Showing, by counties, the total local assessment of Moneys and Credits for the years 1898–1902, inclusive.

Counties.	1898.	1899.	1900.	1901.	1902.
Ozaukee	\$209,441	\$225,264	\$328,919	\$554,765	\$1,041,162
Pepin	15,696	18,780	18,981	72,735	129,774
Pierce	154,794	152,030	180,165	302,577	579,420
Polk	31,064	39,760	44,758	93,302	174,801
Portage	87,671	93,812	139,339	382,311	522,410
Price	55	100	.....	2,688	59,361
Racine	383,211	344,659	402,857	651,351	1,467,137
Richland	101,858	116,227	181,778	242,581	430,473
Rock	235,905	1,002,922	1,118,891	1,923,444	2,002,173
St. Croix	139,356	159,978	148,518	202,215	511,479
Sauk	446,322	499,616	545,963	661,335	1,286,350
Sawyer .....	.....	.....	.....	.....	12,329
Shawano	14,472	15,644	71,543	149,815	328,907
Sheboygan	751,200	777,825	1,383,147	1,551,345	2,869,040
Taylor	787	813	449	346	226,973
Trempealeau	118,481	124,659	150,854	378,649	495,037
Vernon	120,054	202,157	269,175	506,412	858,431
Vilas	57	.....	.....	.....	10,251
Walworth	1,391,134	1,388,877	1,584,248	2,451,120	2,648,332
Washburn .....	.....	900	1,000	2,900	26,810
Washington	535,800	554,855	775,551	832,419	1,787,694
Waukesha	1,170,622	1,184,000	1,100,485	1,250,011	1,931,521
Waupaca	141,966	255,548	521,066	509,109	973,207
Waushara	61,165	57,906	74,785	149,397	593,009
Winnebago	401,610	426,353	717,357	1,039,861	2,272,771
Wood	2,483	3,515	46,301	46,788	322,911
Total	\$16,897,183	\$21,257,143	\$25,865,940	\$35,592,181	\$73,055,104

TABLE C.

In which the assessment districts of the state are classified in groups, and in which is shown as to each group, for each of the years 1899-1902 the total local assessment, (1) of Real Estate, (2) of Personal Property, and (3) of Moneys and Credits; also the percentage ratios (1) of Personal Property to All Property, (2) of Moneys and Credits to All Property, and (3) Moneys and Credits to Personal Property.

Group 1.—City of Milwaukee,—population 285,315.

	1899.	1900.	1901.	1902.
Real estate.....	\$124,703,830	\$127,984,780	\$134,135,624	\$137,404,081
Personal property.....	27,268,073	30,190,093	31,089,263	34,477,283
Total real and personal.....	\$151,971,903	\$158,174,873	\$165,224,887	\$171,881,364
Moneys and credits...	3,740,151	4,202,771	4,155,473	5,490,128
<i>Ratios:</i>				
1. Personal to all property.....	17.9 pr ct.	19.1 pr ct.	18.8 pr ct.	20. pr ct.
2. Moneys and credits to all property....	2.46 pr ct.	2.65 pr et.	2.51 pr ct.	3.19 pr ct.
3. Moneys and credits to all personal property.....	13.7 pr ct	13.9 pr ct.	13.4 pr ct.	15.9 pr ct.

TABLE C.—Continued.

Group 2.—City of Superior,—Population 31,091.

	1899.	1900.	1901.	1902.
Real estate.....	\$9,495,414	\$10,719,543	\$13,562,401	\$11,711,286
Personal property	1,107,936	1,165,576	1,918,789	1,484,455
Total real and personal.....	\$10,603,350	\$11,885,119	\$15,481,190	\$13,195,741
Moneys and credits...	2,000	1,125	250	1,800
<i>Ratios:</i>				
1. Personal to all property.....	10.4 pr ct.	9.8 pr ct.	12.4 pr ct.	11.2 pr ct.
2. Moneys and credits to all property....	.01 pr ct.	.....	.....	.....
3. Moneys and credits to personal property.....	.18 pr ct.	.1 pr ct.	.....	.12 pr ct.

Group 3.—Cities containing Population of 20,000 or more, except Milwaukee and Superior, viz.: La Crosse, Racine, Sheboygan and Oshkosh. Total Population, 109,243.

	1899.	1900.	1901.	1902.
Real estate.....	\$30,521,692	\$34,529,408	\$39,674,622	\$50,369,048
Personal property	8,082,432	10,543,626	11,879,184	17,374,977
Total real and personal.....	\$33,604,124	\$45,073,034	\$51,553,806	\$67,744,025
Moneys and credits...	975,008	1,709,293	1,983,034	4,297,217
<i>Ratios:</i>				
1. Personal to all property.....	20.9 pr ct.	23.4 pr ct.	23.0 pr ct.	25.6 pr ct.
2. Moneys and credits to all property...	2.5 pr ct.	3.8 pr ct.	3.9 pr ct.	6.3 pr ct.
3. Moneys and credits to personal property.....	12.1 pr ct.	16.2 pr ct.	16.7 pr ct.	24.7 pr ct.

TABLE C.—Continued.

Group 4.— Cities containing Population 10,000 to 20,000. Number of cities in group, 12; Total Population, 174,196.

	1899.	1900.	1901.	1902.
Real estate.....	\$38,440,726	\$43,276,276	\$63,977,043	\$83,442,555
Personal property	11,353,570	13,846,859	18,853,250	26,726,085
Total real and personal.....	\$49,794,296	\$57,123,135	\$82,830,293	\$110,168,640
Moneys and credits...	1,573,826	1,681,678	1,931,580	5,259,459
<i>Ratios:</i>				
1. Personal to all property.....	22.8 pr ct.	24.2 pr ct.	22.8 pr ct.	24.2 pr ct.
2. Moneys and credits to all property...	3.2 pr ct.	2.9 pr ct.	2.3 pr ct.	4.7 pr ct.
3. Moneys and credits to personal property.....	13.9 pr ct.	12.1 pr ct.	10.5 pr ct.	19.7 pr ct.

Group 5.—Cities containing Population of 5,000 to 10,000. Number of cities in group, 17; Total Population 103,507.

	1899.	1900.	1901.	1902.
Real estate.....	\$20,779,611	\$22,341,784	\$30,021,867	\$34,151,715
Personal property.....	7,661,968	8,330,526	12,736,057	17,363,273
Total real and personal.....	\$28,441,579	\$30,672,310	\$42,757,924	\$51,514,988
Moneys and credits...	915,167	1,003,200	1,794,856	4,833,301
<i>Ratios:</i>				
1. Personal to all property.....	26.9 pr ct.	27.2 pr ct.	29.8 pr ct.	33.7 pr ct.
2. Moneys and credits to all property...	3.2 pr ct.	3.2 pr ct.	4.2 pr ct.	9.4 pr ct.
3. Moneys and credits to personal property.....	11.9 pr ct.	12.0 pr ct.	14.1 pr ct.	27.8 pr ct.

TABLE C.—Continued.

Group 6.—Cities and Villages containing Population of 2,000 to 5,000
Number of Cities and Villages in group, 49; Total Population, 125,891.

	1899.	1900.	1901.	1902.
Real estate.....	\$28,468,105	\$31,794,327	\$46,786,782	\$53,780,781
Personal property.....	10,518,174	13,307,966	18,474,077	25,579,431
Total real and personal.....	\$38,986,279	\$45,102,293	\$65,260,859	\$79,360,212
Moneys and credits...	3,260,371	3,834,820	5,575,855	9,692,342
<i>Ratios:</i>				
1. Personal to all property.....	27.0 pr ct.	29.5 pr ct.	28.3 pr ct.	32.2 pr ct.
2. Moneys and credits to all property...	8.4 pr ct.	8.5 pr ct.	8.5 pr ct.	12.2 pr ct.
3. Moneys and credits to personal property.....	31.0 pr ct.	28.8 pr ct.	30.2 pr ct.	37.9 pr ct.

Group 7.—Cities and Villages containing Population of 1,000 to 2,000.
Number of Cities and Villages in group, 52; Total Population, 76, 619.

	1899.	1900.	1901.	1902.
Real estate	\$12,032,870	\$14,545,837	\$23,884,401	\$26,451,908
Personal property	5,004,909	5,901,174	10,702,486	13,396,260
Total real and personal.....	\$17,037,779	\$20,447,011	\$34,586,887	\$39,848,168
Moneys and credits...	1,620,625	1,998,017	3,101,907	5,279,652
<i>Ratios:</i>				
1. Personal to all property	29.4 pr ct.	28.9 pr ct.	31.0 pr ct.	33.6 pr ct.
2. Moneys and credits to all property ...	9.5 pr ct.	9.8 pr ct.	8.7 pr ct.	13.5 pr ct.
3. Moneys and credits to personal property	32.4 pr ct.	33.9 pr ct.	29.0 pr ct.	39.4 pr ct.

TABLE C.—Continued.

Group 8.—Villages Containing Population of 500 to 1,000. Number of Villages in group, 81; Total Population, 57,211.

	1899.	1900.	1901.	1902.
Real estate.....	\$8,619,130	\$11,821,653	\$16,594,206	\$19,739,519
Personal property	3,858,855	5,000,312	8,196,462	16,948,590
Total real and personal.....	\$12,477,985	\$16,821,965	\$24,790,668	\$36,688,109
Moneys and credits...	1,275,564	1,447,392	2,574,117	5,304,431
<i>Ratios:</i>				
1. Personal to all property	30.9 pr ct.	29.7 pr ct.	33.1 pr ct.	46.2 pr ct.
2. Moneys and credits to all property ...	10.2 pr ct.	8.6 pr ct.	10.4 pr ct.	14.4 pr ct.
3. Moneys and credits to personal property	33.1 pr ct.	28.9 pr ct.	31.4 pr ct.	31.3 pr ct.

Group 9.—Balance of the State not included in preceding Groups, being all towns and all villages having less than 500 inhabitants.
Total Population, 1,105,939.

	1899.	1900.	1901.	1902.
Real estate.....	\$255,510,863	\$302,526,987	\$510,274,402	\$669,172,513
Personal property	44,607,690	58,196,205	89,880,178	130,207,387
Total real and personal.....	\$300,118,553	\$360,723,192	\$600,154,580	\$799,379,900
Moneys and credits...	7,894,431	9,874,348	14,481,109	32,896,774
<i>Ratios:</i>				
1. Personal to all property.....	14.9 pr ct.	16.3 pr ct.	15.0 pr ct.	16.3 pr ct.
2. Moneys and credits to all property...	2.6 pr ct.	2.7 pr ct.	2.4 pr ct.	4.1 pr ct.
3. Moneys and credits to personal property.....	17.7 pr ct.	16.9 pr ct.	16.1 pr ct.	25.3 pr ct.

TABLE C.—Continued.

Group 10. — Entire State; Population, 2,023,042.

	1899.	1900.	1901.	1902.
Real estate.....	\$528,572,241	\$599,540,595	\$878,911,348	\$1,086,223,406
Personal property...	119,463,607	146,482,337	203,729,746	283,587,741
Total real and personal.....	\$648,035,848	\$746,022,932	\$1,082,641,094	\$1,369,811,147
Moneys and credits.	21,237,143	25,702,644	35,598,181	73,055,104
<i>Ratios:</i>				
1. Personal to all property.....	18.4 pr ct.	19.6 pr ct.	18.8 pr ct.	20.7 pr ct.
2. Moneys and credits to all property...	3.3 pr ct.	3.4 pr ct.	3.2 pr ct.	5.3 pr ct.
3. Moneys and credits to personal property.....	17.8 pr ct.	17.6 pr ct.	17.5 pr ct.	25.8 pr ct.

TABLE D.

A Condensed Table showing the percentage ratios of the Assessments of (1) Personal Property to all property, (2) Moneys and Credits to All Property, and (3) Moneys and Credits to Personal Property, in each of the several groups of assessment districts mentioned in the preceding table in each of the years stated.—See note 1.

ASSESSMENT DISTRICTS.	RATIOS IN 1893.			RATIOS IN 1900.			RATIOS IN 1901.			RATIOS IN 1902.		
	Personal to all	Moneys and credits to all property.	Moneys and credits to personal property.	Personal to all	Moneys and credits to all property.	Moneys and credits to personal property.	Personal to all	Moneys and credits to all property.	Moneys and credits to personal property.	Personal to all	Moneys and credits to all property.	Moneys and credits to personal property.
	17.9	2.46	13.7	19.1	2.65	13.9	18.8	2.51	13.4	20.0	3.19	15.9
	10.4	.01	.18	9.8	.00	.1	12.4	.00	.00	11.2	.00	.12
Group 1.—Milwaukee city	20.9	2.5	12.1	23.4	3.8	16.2	23.0	3.9	16.7	25.6	6.3	24.7
Group 2.—Superior city	22.8	3.20	13.9	24.2	2.90	12.1	22.8	2.30	10.5	24.2	4.70	19.7
Group 3.—Population 20,000 or more, except Milwaukee and Superior	26.9	3.20	11.9	27.2	3.20	12.0	29.8	2.30	14.1	33.7	9.40	27.8
Group 4.—Population 10,000 to 20,000	27.0	8.40	31.0	29.5	8.50	28.8	28.3	8.50	30.2	32.2	12.2	37.9
Group 5.—Population 5,000 to 10,000	29.4	9.50	32.4	28.9	9.80	33.9	31.0	8.70	29.0	33.6	13.50	39.4
Group 6.—Population 2,000 to 5,000	30.9	10.20	33.1	29.7	8.60	28.9	33.1	10.40	31.4	46.2	14.4	31.3
Group 7.—Population 1,000 to 2,000	14.9	2.60	17.7	16.3	2.70	16.9	15.0	2.40	16.1	16.3	4.1	25.3
Group 8.—Population 500 to 1,000	18.4	3.30	17.8	19.6	3.40	17.6	18.8	3.20	17.5	20.7	5.3	25.8
Group 9.—Balance of state												
Group 10.—Entire state												

¹ The figures at the right of decimal point indicate fractions of one per cent.

² Less than one hundredth of one per cent.

TABLE E.

Showing the Assessment of Moneys and Credits per Capita for the years 1899-1902, in the several groups of Assessment Districts noted in the margin, based on population as per census of 1900.

Assessment Districts.	Moneys and Credits Per Capita.			
	1899.	1900.	1901.	1902.
Group 1.— Milwaukee City....	\$13.11	\$14.73	\$14.56	\$14.25
Group 2.— Superior City.....	.06	.01	.01	.06
Group 3.— Pop. 20,000 or more, except Milwaukee and Superior.....	8.92	15.64	18.15	39.24
Group 4.— Pop. 10,000 to 20,000	9.03	9.65	11.09	30.20
Group 5.— Pop. 5,000 to 10,000	8.84	9.69	17.34	46.70
Group 6.— Pop. 2,000 to 5,000..	25.90	30.46	44.28	76.99
Group 7.— Pop. 1,000 to 2,000..	21.14	26.07	40.46	68.87
Group 8.— Pop. 500 to 1,000...	22.30	25.30	45.95	92.66
Group 9.— Balance of State...	7.14	8.88	13.09	29.74
Group 10.— Entire State.....	10.27	12.42	17.20	35.31

It will be seen upon examination of Table A. that there has been a marked increase in the total assessment of credits¹ since 1888. It appears also that such increase has been gradual, though somewhat irregular, until the year 1902. By referring to the last two columns of ratios in Table A. it may be observed that in recent years prior to 1902 the increase in assessments of credits has not been materially greater, proportionally, than the increase in assessment of other property. In 1902, however, there has been, for the whole state, not only a very marked increase over former years in the total assessment of credits,

¹ For reasons stated on page 93 the statistics of moneys and credits are treated as representing credits only.

but also a very considerable increase in the *proportion* of the total assessment of credits to the total assessment of other property.

In 1902 the valuation of property by local assessing officers was in general fixed upon a basis very much nearer to true values than in former years, which was accomplished, mainly by the work of the county supervisors of assessments, whose administration began in 1902, as explained elsewhere in this report. This accounts very largely for the great increase in 1902 over previous years in the total assessed valuation of property other than credits. But the increase in the assessment of credits in 1902 is not due to an advance in the basis of valuation, to any great extent, but chiefly to the listing and assessment of large amounts of credits which had been wholly omitted from assessment in former years. The assessment of other property at full value or at figures closely approximating full value, affording a corresponding reduction in the tax rate, was presumably of assistance to assessors in obtaining from property owners statements of credits which otherwise would have been withheld. But by far the greater portion of the increase in the assessment of credits in 1902 was accomplished by greater diligence and effort on the part of assessing officers in discovering credits liable to taxation which had not been assessed in former years. In many counties the supervisor of assessments made examination of the records of real estate mortgages in his county and furnished information, as to each unsatisfied mortgage there found, to the assessor of the district in which the mortgagee resided, if in his county; otherwise to the supervisor of the county in which the mortgagee resided, if a resident of the state; who in turn furnished the same to the proper assessor in his county. Other public records were examined to some extent for evidences of existing debts and the information obtained was distributed in like manner. This was not done in every county and the work was performed more diligently and thoroughly in some counties than in others, but it was chiefly by means of this work that the greater portion of the increase in the total assessment of credits was accomplished in 1902.

Referring again to Table A. it may be noticed that the total

assessment of credits in 1902 is more than double that of the previous year, which in turn is more than double the average annual assessment of credits in the twelve years preceding 1901. And the proportion of the total assessment of credits to the total assessment of all property in 1902 is 5.33 per cent. as against 3.29 per cent., the highest ratio in any preceding year.

The marked increase in the assessment of credits in the last three years, particularly that in 1902, may seem, at first thought, to give some support to the contention that it is practicable to secure the full assessment of all credits which under existing laws are subject to taxation. It should be borne in mind, however, that there were conditions existing in 1902 extremely favorable to securing a large assessment of credits which cannot be expected to continue if the effort to tax credits be kept up. In many parts of the state there had been little or no effort to secure the assessment of credits prior to 1902. In consequence there was little effort to conceal them from assessing officers. In many localities mortgages were placed on record without any attempt to conceal the name or residence of the actual owner and in the expectation, from past experience, that no attempt would be made to examine the records or otherwise discover credits for purposes of taxation. In brief there had been little attempt at concealment or evasion except in a few localities where previously there had been some effort to discover taxable credits. Holders of credits were taken unaware in 1902, by the systematic and thorough manner in which credits evidenced by public record were ascertained and assessed in that year. It can hardly be expected that many will be again caught napping, in the near future at least; and it would seem fairly safe to conclude that unless more effective laws are provided for the discovery and listing of credits and to prevent concealment and evasion, the total assessment of credits will be less in future than in 1902.

The amount assessed in 1902 is believed to be but a small portion, or at least not a very large portion of the total amount of credits legally subject to taxation. The manner in which the increase in 1902 was secured, already mentioned, indicates plainly, that such increase was made up almost wholly of credits

secured by recorded mortgages of real estate. And it is not doubted that most of the credits assessed in former years were of the same kind. No statistics are available, or obtainable, to determine the total amount of credits legally liable to assessment. It would not be difficult to ascertain approximately the total amount of credits resulting from bank deposits in the state at any given point of time, though virtually impossible to determine how much of these are held by residents of other states. Credits arising from deposits by residents of this state in banks located in other states are incapable of ascertainment. The total amount of real estate mortgages not satisfied of record in this state might be ascertained approximately, though not without great expense, but when ascertained it would be virtually impossible for the gatherer of statistics to ascertain what portion is actually held by residents of the state, and of such portion what part is actually owned by banks, trust companies, insurance companies and other corporations whose credits are not subject to assessment. And there seems to be absolutely no way in which the statistician may ascertain the vast quantity of credits arising from loans and the infinity of business transactions the evidences of which are not made public in any way, to say nothing of the sorting up of these between those holders whose credits are and those whose credits are not subject to assessment under existing laws. But if all this were practicable there would remain the further statistical problem of determining the total amount of "bona fide unconditional debts owing" by the holders of taxable credits, which they are entitled to deduct from any and all kinds of credits otherwise liable to taxation. When it is also considered that the total volume of all credits must vary greatly, as between periods of industrial, commercial and speculative activity and periods of business depression, the futility of attempting to obtain anything like reliable statistics of credits will be appreciated.

It is reasonably certain, however, that the total amount of credits legally liable to assessment under present day business conditions, after deducting bona fide debts owing by the holders thereof, is a very large sum and it is not doubted that it exceeds many times the seemingly large sum assessed in 1902. When

it is considered that the credits thus far assessed consist almost wholly or at least very largely of real estate mortgages and other credits the evidences of which are a matter of public record and the ease with which, to the present time, these credits could be ascertained and listed, in most parts of the state, as compared with the much greater quantity of unknown and unascertainable credits of other sorts above mentioned, it will be perceived that the seeming progress made in 1902 does not of itself give much assurance that such further progress will be made as will secure anything near the full assessment of all kinds of taxable credits in the future, or even that the mark made in 1902 can be maintained.

The most important information, perhaps, disclosed in the statistics of the assessment of credits is the marked inequality in the results accomplished by local assessing officers as between different portions of the state. In Table B., which shows results by counties for the years 1898-1902 inclusive some of this want of uniformity may be noticed. The discrepancies are much less marked in the year 1902 than in former years, owing largely to the work of county supervisors of assessments; but even in 1902 the inequalities are very great. A few instances are presented in the following table, in which population and other data are given to facilitate comparisons.

Counties	Population (1900).	Chief Cities.	Value of All Taxable Prop- erty per State Board of As- sessment, 1902.	Moneys and Credits, per Local As- sessment, 1902.	Moneys and Credits per Capita.	Ratios, Moneys and Credits to all Property.
Ashland	20,176	Ashland	\$8,797,686	\$83,887	\$4.16	\$0.95
Bayfield	14,392	Washburn	11,100,236	86,468	6.01	.78
Douglas	36,335	Superior	24,234,548	1,875	.05	.01
Iron	6,616	Hurley	4,465,319	4,199	.63	.09
Clark	25,848	Neillsville	11,614,351	532,444	20.60	4.58
Marathon	43,256	Wausau	13,980,132	522,636	12.08	3.74
Portage	29,483	Stevens Point	13,225,464	522,440	17.72	3.95
Waushara	15,972	.....	7,332,031	593,008	37.13	8.09
Fond du Lac	47,589	Fond du Lac, Ripon	39,881,679	2,952,183	62.05	7.42
Sheboygan	50,345	Sheboygan, Plymouth	41,698,564	2,869,040	56.99	6.83
Winnebago	58,225	Oshkosh, Neenah, Menasha	46,041,341	2,272,771	39.03	4.94
Taylor	11,262	Medford	5,017,459	226,973	20.15	4.52
Langlade	12,553	Antigo	4,823,273	22,117	1.76	.46
Lincoln	16,269	Merrill, Tomahawk	5,846,817	170,892	10.50	2.92
Oconto	20,874	Oconto	7,809,389	78,320	3.75	1.00
Rock	51,203	Janesville, Beloit, Edgerton	51,066,795	2,002,173	39.10	3.92
Walworth	29,259	Whitewater, Lake Geneva, Delavan	28,540,952	2,648,333	90.52	6.87
Grant	38,881	Platteville, Lancaster, Boscobel	28,947,749	4,192,668	107.83	14.48
Green	22,719	Brodhead, Monroe	25,808,332	3,014,155	132.68	11.68
Iowa	23,114	Dodgeville, Mineral Point	17,773,121	1,815,640	78.55	10.22
Lafayette	20,959	Darlington, Shullsburg	19,100,661	1,472,148	70.25	7.72
Milwaukee	330,017	Milwaukee	349,082,648	5,871,444	17.79	1.68
Entire State	2,069,042	.....	1,504,346,040	73,055,104	35.31	4.86

In the foregoing table it has been sought to arrange in pairs or groups counties in which conditions are similar. Attention is asked to the assessment of credits in Douglas and Iron counties as compared with their neighboring counties bordering on Lake Superior; to that in Clark county as compared with Marathon; Waushara with Portage; Fond du Lac and Sheboygan with Winnebago; Lincoln with Oconto; Taylor with Langlade; Rock with Walworth and Grant; Green, with Iowa and Lafayette; Milwaukee with any of the leading counties and with the entire state.

The unequal operation of the laws for the assessment of credits is better shown in Tables C., D. and E. In these tables the assessment districts of the state are arranged in groups. Cities and villages which are independent assessment districts are classified in groups according to population; and all towns including those containing villages not constituting independent districts are included in a single group, except that in a few instances where an important village or a city and a town together constitute a single assessment district, such district is classed as a city or village district and placed in the group of city and village districts corresponding to its population. The town of Vaughn including the village of Hurley, town of Hayward including the village of Hayward, town of Washburn including the village of Washburn, the town of Darlington including the city of Darlington are some of the exceptions mentioned. In Table C., as to each group, the statistics of assessed valuations are reduced to percentage ratios for each of the years mentioned. In Table D. the same ratios are condensed upon a single sheet under an arrangement better calculated to facilitate comparisons. In Table E. is shown the assessment of credits per capita in each of the several groups mentioned. In all these tables statistics for 1899 are given as well as for subsequent years, to afford comparisons of results since the work of the commission in the supervision of assessments was begun with results in the year 1899 in which no supervision was attempted.

An examination of the figures in these tables will show some marked differences in the assessment of credits in some of the

groups as compared with others in each of the years for which statistics are given, and it will be seen that the inequalities in results seem to be as marked in 1902 as in any previous year,—perhaps more so. It will be noticed that the inequalities indicated by the percentage ratios given in Table D. are strongly corroborated by the *per capita* figures given in Table E. Perhaps the most remarkable feature of the showing made in these three tables is the much greater proportion of credits assessed in the villages and cities of less than five thousand inhabitants than in the larger cities or in the balance of the state. To show this more clearly for the year 1902 the subjoined table has been prepared, in which the results in several groups of assessment districts have been combined in various ways.

Groups of Assessment Districts.	Population.	All property.	Moneys and Credits.	Ratios, Moneys and Credits to All property.	Moneys and Credits per Capita.
No. 1 — Milwaukee	285,315	\$171,881,364	\$5,490,128	3.19	19.24
No. 3 — 20,000 and up, except Milwaukee and Superior	109,243	67,744,025	4,297,217	.....	.....
No. 4 — 10,000 to 20,000	174,196	110,168,640	5,239,459	.....	.....
No. 4 — 10,000 to 20,000	283,439	\$177,912,665	\$9,556,676	5.37	33.72
No. 5 — 5,000 to 20,000	174,196	\$110,168,640	\$5,239,459	.....	.....
No. 5 — 5,000 to 20,000	103,507	51,514,988	4,833,301	.....	.....
No. 6 — 2,000 to 5,000	277,703	\$161,683,628	\$10,092,760	6.24	36.34
No. 7 — 1,000 to 2,000	125,891	\$79,860,212	\$9,692,342	.....	.....
No. 8 — 500 to 1,000	76,649	39,848,168	5,279,652	.....	.....
No. 8 — 500 to 1,000	57,211	36,688,109	5,304,431	.....	.....
Entire State	259,751	\$155,896,489	\$20,276,425	13.01	78.06
	2,029,042	\$1,369,811,147	\$73,055,104	5.33	36.01

Referring to the foregoing table it will be seen that groups three and four contain a slightly smaller population and show, relatively, only a slightly larger total assessment of all property than Milwaukee city; yet the assessment of credits in these two groups, is nearly double that of Milwaukee. Groups four and five with some less population and \$10,000,000 less total assessment of all property than Milwaukee shows nearly double the assessment of credits; while groups six, seven and eight with still less population and a materially smaller total assessment shows nearly four times the amount of credits. And group eight alone with only 57,211 people and a total assessment of less than \$37,000,000 shows credits assessed to an amount nearly equal to the whole city of Milwaukee with its population of over 285,000 and total assessment of nearly \$172,000,000. It will be borne in mind also that these are figures for the year 1902, in which there was much greater, more general, and more nearly successful effort upon the part of assessing officers than in any previous year to secure the full assessment of all credits liable to taxation.

It should be stated, however, that the wide variations in results indicated in the statistics under discussion are not wholly due to varying degrees of efficiency on the part of assessing officers in the various districts showing marked contrasts in results. For instance, it is noticeable that in Milwaukee city the assessment of credits has been more uniform in recent years and increased less, relatively, in 1902 than in most other parts of the state; and as already observed, the total assessment of credits in that city has been relatively less than in most other parts of the state in recent years, especially in 1902, except Superior.—This last mentioned city seems to be exceptional in a marked degree in many ways and at nearly all times.—Yet the assessments made in Milwaukee have been for years under the personal supervision of a very competent and efficient officer and it is believed that the assessments in that city have been more accurately made than in most other parts of the state. In general all credits shown by public records to be held by residents of Milwaukee have been assessed except insofar as they

have been reduced by "bona fide debts" owing by the holders thereof; and this has been the practice for years. As a result, a very large proportion of credits secured by mortgages are carried, on the public records at least, in the name of some non-resident,¹ and other evasive methods are employed to avoid assessment. This accounts very largely for the relatively small assessment of credits in Milwaukee. As previously shown, a reverse condition of affairs existed in many other parts of the state prior to 1902, which made possible the large harvest of that assessment season in such other localities. The relatively large showing made in cities and villages under 5,000, may be accounted for, in part, by the fact that in these smaller districts the assessors have much more knowledge of the business affairs of their neighbors than in the larger districts. The poorer showing made by the towns—the country districts—is presumably due, largely, to the fact that most of the persons who have considerable amounts of money to loan do not reside on the farms nor in the smaller villages but in the cities and larger villages. But notwithstanding these and other explanatory circumstances the fact remains that, as regards results, the laws for the assessments of credits have operated very unequally in different sections of the state.

III. Fundamental Principles.

As already shown the laws of the state require the taxation of credits of every kind due from solvent debtors and the taxation also of all kinds of property other than credits, unless exempted for special reasons, without deduction or diminution in value on account of debts owing. In this respect the Wisconsin system is substantially the same as that of most of the other American states. In recent years the subject has been given careful consideration by economists and others well fitted by education and training to ascertain facts and reach correct conclusions. Their verdict is practically unanimous in condemnation of all laws requiring the taxation of credits as property—at least we have not learned of any fairly capable, un-

¹ Tax Commission's Report, 1898, p. 112.

biased investigator who has given such laws substantial approval. The primary conclusions upon which the general verdict of condemnation is predicated may be summarized in the following propositions:

(1) Laws requiring the direct taxation of credits as property without corresponding reduction in the assessment of the property of debtors necessarily result in duplication of values and double taxation, and cannot fail to produce inequality and injustice, so far as such laws may be enforced.

(2) Such laws are incapable of enforcement, except partially.

(3) When partially enforced, the injustice to those who are taxed is much greater than if all credits were taxed alike; and this whether the burden is borne by the few who are taxed or is shifted to their debtors.

(4) Incidentally, the deceptions and other practices resorted to in evading the attempted enforcement of such laws have a degrading moral effect in the community.

(5) Laws permitting the amount of credits assessed to be deducted from the valuation of the property of debtors do away with the evil of double taxation and for that reason are infinitely preferable to laws which do not permit such deduction.

(6) But under laws permitting such deductions the tax imposed upon the creditor is ordinarily shifted to the debtor in the form of higher interest or otherwise, with something added to cover the creditor's risk.

(7) Laws designed to prevent such shifting are impracticable and serve to injure rather than to benefit the debtor, the only person for whose protection they are intended.

The first proposition is fundamental and goes to the very foundation of the system as it exists in this state. If such proposition is substantially true, the continuance of the system is manifestly unjustifiable and it becomes unnecessary to consider the objections stated in propositions 2, 3 and 4. The fundamental proposition should therefore receive first consideration.

Laws requiring the direct taxation of credits without corresponding reduction in the assessment of property of debtors assume that credits are property and may be considered as prop-

erty apart from and in addition to the property of debtors. This is shown by the statutory declaration that "the term 'personal' property shall be construed to mean and include *all debts* due from solvent debtors,"¹ and the omission to provide for any reduction in the assessment of the property of debtors on account of debts owing. The primary question would therefore seem to be whether credits, apart from the means of the debtor, are property in any true economic sense. This question is not presented for the purpose of a dissertation on the technical meaning of the word "property," but to get at the substance of the matter and direct attention to what is deemed to be a vital part of the whole discussion.

A credit is merely a right on the part of the creditor to receive and enforce payment of an obligation due from some other person. It may be evidenced by some writing, as a promissory note for instance, and may be secured by conditional conveyance or pledge of property evidenced by some written instrument, as a mortgage, or the creditor may have only the general security of his debtor's financial means. But the credit itself, the essential thing—that which gives it value and which the present assessment laws recognize and treat as property—consists, not in the written instruments or other evidences of the creditor's right or security, but in the right itself—the creditor's right to receive and enforce payment of his demand.² This right of the creditor is admittedly a thing of value—assuming always that the debtor is solvent. In many of its forms, with its evidences, it may be freely transferred from one person to another and often performs the office of a medium of exchange more efficiently than money. But the person who holds credits and nothing else possesses no part of the moneys, lands or goods of society except in a potential way. He possesses *only the right to receive* some of these things. When he receives payment the credit is extinguished; money or property has changed hands in order to accomplish such payment; but no one will contend that the sum of the world's actual wealth has been diminished or that any one has grown poorer by such extinguish-

¹ Sec. 1036, Stat. '98.

² *State ex rel. Dwinnell vs. Gaylord*, 73 Wis., 316.

ment. A credit represents the result, in whole or in part, of one side of a business transaction. The other side of such transaction is represented by an indebtedness in an equal sum. For every credit there exists an indebtedness of equal amount. The sum of all credits in the world is exactly equal to the sum of all indebtedness. The aggregate of each amounts to thousands of millions of dollars. But let us suppose that by transfer of property or by some method of exchange like clearing house transactions, all these debts are paid and with the corresponding credits become wholly extinguished; or even suppose that every creditor has gratuitously forgiven his debtor and legally cancelled his debtor's obligation. The result would be a great shifting of property or changing of financial resources among individuals; but would there be any less actual property? Would the world be the poorer to the extent of these thousands of millions? It is too plain for argument that there would be no loss whatever. One more illustration: A bank receives deposits of money aggregating \$100,000 and thereby credits in favor of the depositors to the amount of \$100,000 come into existence. The money so deposited has merely changed hands, but the credits are a new creation. Has \$100,000 been added to the total property or wealth of the community? Now, suppose the \$100,000 be loaned by the bank to divers other persons. By such action the money has changed hands again and further credits to the amount of \$100,000 are created. Is this a further addition to the wealth of the community? Later, the depositors ask for their money; the bank calls in its loans and pays the depositors; \$200,000 worth of credits have been extinguished. Is the community the poorer by that sum by reason of the transaction? These arguments and illustrations could, of course, be multiplied and extended indefinitely, but it is deemed unnecessary to pursue the subject further. It seems, beyond all controversy, that credits are not property in any true sense, but represent in the creditor merely some right or interest, potential or otherwise, in the property of the debtor. It follows, of course, without argument, that to treat credits as property and to count also as property all the goods and lands of society is in substance and effect a duplication of values.

The subject is commonly considered with reference to those credits which are secured by mortgage or other express lien upon specific property. When superficially considered the duplication of values seems more apparent in such case than in the case of credits not so secured. It is not difficult to perceive, however, that every obligation due from a solvent debtor is potentially secured upon his property, or upon the property of some one else if such debtor's financial means consists of credits or other representative interests in actual property, and therefore, it is just as much a duplication of values to treat so called unsecured credits as property as it is in the case of credits expressly secured by mortgage or other lien upon specific property.

For the purposes of this discussion, it is not denied, that in this state at least, it is within the constitutional power of the legislature to permit and direct such duplication of values as is contemplated by our present tax laws; and it is not contended that such duplication results in double taxation in technical legal contemplation, according to the general current of judicial decisions.¹ But it is beyond controversy that such duplication results in double taxation in economic consideration and from the standpoint of substantial justice and equity.

It would hardly seem that argument is necessary to establish the remainder of the proposition under consideration, that assessment laws resulting in double taxation "*cannot fail to produce inequality and injustice*, so far as such laws may be enforced." It is almost self-evident that such injustice must follow even if the law be fully and effectually enforced,—and where such laws are only partially enforced, the inequality, as to those who are forced to pay is greatly intensified. Let it be assumed, for illustration, that in the state the total value of actual property subject to the general property tax is twelve hundred millions of dollars; that one half of this property is

¹ *Cooley on Taxation* (2nd ed.), p. 219; *Second Ward Savings Bank vs. Milwaukee*, 94 Wis., 587. But a *contra* legal view is taken in *People vs. Hibernia Bank*, 51 Cal., 243; *Savings & Loan Society vs. Austin*, 46 Cal., 415; *Stroh vs. Detroit* (Mich.), 90 N. W. Rep., 1029; *Commonwealth vs. Fall Creek Coal Co.*, 156 Pa. St., 488.

owned by persons who are not indebted and the other half is held by persons owing sums aggregating four hundred millions. If these credits are assessed and the actual property is also assessed at its true value the total assessment will be sixteen hundred million dollars. The result will be that the debtors and their creditors, having between them only one-half of the actual property and together possessing no greater means or actual ability to pay taxes than the non-debtors, would be required to pay ten-sixteenths of all the taxes while the non-indebted class, possessing one-half the actual property and one-half of the actual means and ability to pay, would bear only six-sixteenths of the burden. It is thus evident that debtors and their creditors together considered as one class are injured, while those who are not debtors are benefited, by the assessment of credits without corresponding reduction in the assessment of debtors. Where only a portion of all credits are assessed, the creditors who are assessed, with their debtors, are placed on an inequality with other debtors and creditors as well as with non-debtors, and their actual burden is greater than if all credits were assessed. In brief, the assessment of credits is the creation of fictitious valuations having precisely the same effect as an overvaluation of property, producing injustice to those whose assessments and tax burdens are thereby increased and a corresponding advantage to all other tax payers. If only a few are thus injuriously affected their wrongs are greater both relatively and absolutely than if many were so treated.

In closing this branch of the discussion it may be remarked that it is not at all surprising that laws requiring the assessment of credits without corresponding reduction in the assessment of the property of debtors, have usually been resisted and evaded or that assessing officers have generally made little effort to enforce them. Laws which are fundamentally wrong are incapable of substantial enforcement among free and enlightened people; and the fact that the assessment laws under discussion have never been effectually enforced is evidence that there is some radical defect in the principle upon which such laws are founded. It would not be wholly correct to assert that in their practical rejection of such laws the people and

their assessors have shown themselves wiser than their law-makers, but is it not true that by instinct or intuition they have arrived at correct conclusions which as yet have not been consciously perceived by the majority of legislators? It is not doubted, however, that the majority of legislators when called upon to take action in the matter will perceive, as the majority of persons who study the subject believe, that the present laws requiring the taxation of credits are wrong in principle and so far as enforced produce injustice, and should be no longer tolerated.

There are, however, many persons who are convinced that the present system of taxing credits without corresponding reduction in the property assessment of the debtor is unjust and indefensible, but are firmly of opinion that the remedy for the admitted evil is not the release of credits from taxation, but that the state should continue to tax them as property and grant relief to the debtor against the effect of double taxation by reduction in the assessment of the actual property in his possession. Inasmuch as this view is sincerely entertained and strenuously urged by some of those who adhere to it, it requires careful and impartial consideration. It is after all the question upon which the greatest division of opinion will be finally made and upon which the most earnest contest may be expected. If the conclusions already reached as to the justice and expediency of the existing law are correct, it follows of course that a law permitting reductions in the assessment of the debtor equal to the amount of debts for which his creditor is taxed is infinitely preferable to the present system. The only question remaining for consideration is the question, indicated above, whether the state shall cease to consider credits as property for purposes of taxation or shall continue to tax them and provide for deductions in the assessment of the property of debtors equal to the amount of credits assessed so as to avoid the injustice of double taxation.

In considering this question it should be borne in mind that if double taxation is to be completely avoided the suggested deductions in favor of debtors will be exactly equal to the amount of credits assessed, and therefore no greater aggregate of "prop-

erty" would be assessed for taxation under such proposed system than would be assessed if credits were wholly omitted from taxation and the property of debtors assessed without deductions. As precisely the same aggregate of "property" would be assessed under either plan, it follows of course that *those who are neither debtors nor creditors would have no greater burden under the one plan than under the other.* The proposition, then, is one affecting debtors and creditors only, and therefore the real question is whether the legislature shall interfere between debtor and creditor and attempt by law to determine the portion of taxes which each shall pay on account of property in which both are interested, or whether the state shall look only to the possessor of the actual property for the required revenue, leaving the adjustment of the burden between debtor and creditor to be worked out by natural economic laws. In other words the proposition to tax the creditor directly is not to secure additional revenue, nor to increase the total amount of property to be assessed so as to lessen the burden of the non-indebted property owner, but solely to benefit the debtor—to secure as between him and his creditor, if possible, a more equitable adjustment of the tax burden to be imposed on account of property in which both are interested than would be accomplished by the natural laws of trade and commerce without arbitrary legislative interference. Such plan necessarily contemplates that the tax to be imposed upon the creditor shall not become a burden upon the debtor. This brings us to the consideration of the sixth and seventh propositions stated on page 115 which for convenience are here re-stated:

(6) The tax imposed upon the creditor is ordinarily shifted to the debtor in the form of higher interest or otherwise, with something added to cover the creditor's risk.

(7) Laws designed to prevent such shifting are impracticable and serve to injure rather than to benefit the debtor, the only person for whose protection they are intended.

Argument is hardly required to show that credits which are taxed cost the borrower more than credits which are free from taxation, assuming that conditions are not exceptional. This is hardly different from the proposition that, under ordinary

conditions, goods which are taxed will cost the consumer more than if the same goods were free from taxation, which, it would seem, none will deny. Taxes paid by the merchant or the manufacturer must be reckoned as a part of the cost and included in the price of articles sold just as much as any other item of expense incurred in conducting his business. If these cannot be included so as to yield him a reasonable margin of profit he will employ his time and capital in some other occupation and others will do the same until those remaining in his line of business, by reduced competition, will be able to secure prices which will yield a reasonable profit after paying all expenses including taxes. These results are worked out by the natural laws of trade which are patent to all thinking persons. By the same laws, the lender of money must include his taxes in the rate of interest if not recompensed in some other way. If the rate secured will not leave a reasonable income after payment of taxes, loanable capital will be invested in other enterprises until there is a sufficient scarcity to command a rate of interest which will yield, as compared with other investments, a fair return plus taxes. Ordinarily the increase in the interest rate to cover taxes is something more than the actual tax rate, especially in case of credits having a year or more to run; for in such case the future tax rate is unknown at the time the interest rate is stipulated and the latter rate is usually fixed high enough to cover the contingency of an increase in the tax rate, which ordinarily does not occur. Thus the debtor pays the "cost of shifting" in addition to the tax.

As already stated, these results are accomplished by operation of natural economic laws—those principles and forces which underlie and, if untrammelled, regulate and control industry and commerce and affect and in large measure determine production, cost, prices, values—which are of infinitely greater potency and force and more unerring in operation than any mere act of the legislature. It is believed that every candid, thinking person will recognize and admit that the foregoing statement of the operation of such laws as applied to the case of merchants and manufacturers is substantially true. Can it be seriously doubted that the same immutable laws will operate

in like manner as regards the loaning of moneyed capital? Indeed, it may be safely asserted that such laws operate more swiftly and unerringly in the latter case. The business of the money loaner is far more simple than that of the merchant or manufacturer; his expenses and profits are capable of quicker and more definite calculation, and he can shift to other lines of investment more readily and with far less loss or expense.¹

It is recognized that there are instances in which taxes imposed upon credits are not shifted to the debtor. Where an unexpected and unanticipated tax is imposed after the making of the contract creating a credit, there is no opportunity to shift the tax and it remains a burden where it is imposed—so also in case the tax is imposed upon a comparatively small number of creditors while the majority are free from taxation, the tax cannot be shifted to any great extent. The reason is so obvious that it need not be stated. But these and all other cases where the tax cannot be shifted are exceptional and do not tend to weaken the force and integrity of the general proposition. In all such cases if the tax is a considerable burden it will gradually or otherwise force those who cannot shift into other lines of investment except the very few who are so circumstanced that they cannot change and must submit to palpable injustice, and ordinarily these are the persons who are least able to bear such burdens.

The subject has thus far been considered without reference to statistical facts. As conditions have existed in Wisconsin prior to 1902 it would be impracticable to gather statistics from which any very satisfactory conclusions could be drawn as to the shifting of the tax from creditor to debtor. The total amount of credits taxed has been very small as compared with the total

¹ "All experience has shown that the rate of interest is governed by the inflexible laws of trade, and is regulated by the same law of supply and demand as that which governs all other articles of commerce, and that legislatures and constitutional conventions are powerless in their attempts to change this law; that whenever the state imposes a tax upon a commodity, the burden of that tax is borne by him whose necessities require him to purchase, and not by him who holds it for sale."—Opinion of California Supreme Court in *Hewitt vs. Dean*, 91 Cal., 5-12.

amount taxable under the law, to say nothing of the very large amount of credits held by banks, trust companies, insurance companies, non-residents and others which are not subject to assessment.

There is perhaps no portion of the state where, prior to 1902 there has been any serious effort, sustained for successive years, to assess such credits as were liable to taxation, and where also the opportunity to obtain untaxed loans from banks, trust companies, insurance companies and others was so restricted as to give the holders of taxed credits anything like a clear field. Prior to 1902 the law requiring the taxation of credits had been so nearly a "dead letter" upon the statute books that, in general credits had virtually come to be regarded as non-taxable, and interest rates had come to be adjusted accordingly. In some localities presumably there had been enough effort to tax them to serve as notice that credits might be taxed, and it is not doubted that the danger or risk of such taxation has served to advance the interest rate where untaxed credits have not come much into competition, to the advantage largely of the holders of taxable credits, which for the most part were not taxed in fact. In 1902 as shown in an earlier portion of this discussion, there was much greater and more successful effort to tax credits than in any previous year in most of the counties of the state. But until such effort has been continued for a number of years no clear deductions could be made from such statistics as might be obtained; and it may be doubted whether the amount of credits assessed in 1902-if maintained through a series of years would result in any very clear or convincing showing, in view of the very large amount of non-assessable credits obtainable in the state, except in a few localities where such last mentioned credits are difficult to obtain. Nothing but general information has thus far been obtained, and it is too loose and indefinite in character to be suitable or safe for presentation in the form of statistical tables. It is reported that in some localities where the law was most vigorously enforced in 1902 there has been much greater difficulty in obtaining mortgage loans, and interest rates have advanced very materially. In some other localities it is said that no marked changes are noticeable as yet.

In nearly all the states the conditions are complicated somewhat as in Wisconsin. By reason of such conditions very little valuable or reliable statistics are obtainable. In California, however, there has been an earnest effort maintained for a number of years not only to tax credits but to avoid double taxation, as to credits secured by mortgage, by allowing the amount of credits assessed to be deducted from the assessment of the debtor's property. The conditions in that state seem to be less complicated than in most of the other states, presenting a much clearer field than elsewhere for statistical information. A far greater degree of success has been achieved in the effort to tax credits than in any other state, owing largely to the fact that the feature of double taxation has been partially removed. Fortunately statistics bearing upon the question of shifting now under discussion have been carefully gathered in California by a very capable and, it is believed, unprejudiced investigator, Prof. Carl C. Plehn of the University of California. Before presenting any statement of the facts disclosed by these statistics some further statement should be made of the law and conditions existing in that state.

During most of the time prior to 1876 the laws of California in form required the taxation of credits without any reduction in the assessment of the property of debtors on account of debts owing. Prior to 1870, so far as can be learned, such laws had not been very efficiently enforced and no very large proportion of taxable credits were assessed. In 1870, the law was in effect repealed,¹ but it was restored in a revision of the statutes taking effect January 1, 1873, which contained provisions looking to a better enforcement of the assessment laws. Among other things to that end, the state board of equalization, created in 1870, were charged with additional duties and given enlarged powers over local assessing officers.² The new statutes were vigorously enforced and the increase in assessment of credits as well as other kinds of property was more phenomenal than the results obtained in Wisconsin in 1902.³

¹ Acts of 1869-70, Chap. 435.

² Political Code, 1873, Secs. 3692-3705.

³ In speaking of this Prof. Plehn says: "The results were marvelous. The total assessment increased by 140 per cent. . . . The assess-

Much dissatisfaction with this new order of things was manifested and the validity of the law was contested in the courts; and the Supreme Court of the state, notwithstanding earlier decisions to the contrary, finally, in 1876, determined that the California statutes requiring the taxation of credits as property were unauthorized by the constitution and void.¹ This decision led to renewed discussion of the subject of taxing credits, which with other public questions then rife culminated in a convention to revise the state constitution. The convention was held and a new constitution was adopted in 1879. The chief provisions of this instrument affecting the taxation of credits are as follows:

All property in the state, not exempt under the laws of the United States, shall be taxed in proportion to its value, to be ascertained as provided by law. The word "property," as used in this article and section, is hereby declared to include moneys, credits, bonds, stocks, dues, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership. . . . The legislature may provide, except in the case of credits secured by mortgages or trust deed, for a deduction from credits of debts due to bona fide residents of this state.—*Art. XIII, Sec. 1.*

A mortgage, deed of trust, contract, or other obligation by which a debt is secured, shall, for purposes of assessment and taxation, be deemed and treated as an interest in the property affected thereby. Except as to railroad and other quasi-public corporations, in the case of debt so secured, the value of the property, affected by such mortgage, deed of trust, contract, or obligation, less the value of such security, shall be assessed and taxed to the owner of the property, and the value of such security shall be assessed and taxed to the owner thereof, in the county, city, or district in which the property affected thereby is situate. The taxes so levied shall be a lien upon the property and security, and may be paid by either party to such security; if paid by the owner of such security, the tax so levied upon the property affected thereby shall become a part of the

ment of personal property increased from \$86,000,000 to \$220,000,000, an increase of 155 per cent. About \$100,000,000 of the increase in personal property consisted of money and solvent credits, including mortgages. In San Francisco alone over \$35,000,000 worth of mortgages were placed on the rolls."—*Yale Review*, May, 1899, p. 36.

¹ *People vs. Hibernia Bank*, 51 Cal., 243.

debt so secured; if the owner of the property shall pay the tax so levied on such security, it shall constitute a payment thereon, and, to the extent of such payment, a full discharge thereof.—*Art. XIII, Sec. 4.*

Every contract hereafter made, by which a debtor is obligated to pay any tax or assessment on money loaned, or on any mortgage, deed of trust, or other lien, shall, as to any interest specified therein, and as to such tax or assessment, be null and void.—*Art. XIII, Sec. 5.*

Under this constitution and the statutes enacted thereunder, substantially all credits were required to be taxed directly as property. As to credits secured by mortgage or other express lien upon specific property, the "value" of such credits was deducted in the assessment of such property to the debtor. As to credits not so secured, there were apparently no provisions for any deduction on account of the same in the assessment of the debtor's actual property; but a person holding credits not so secured was allowed to deduct therefrom, but not from other credits or property, an amount equal to debts owing by him to residents of the state. Mortgages held by banks (other than national banks), trust companies, etc., were subject to full taxation the same as those held by individuals, without right of deduction on account of debts owing. But credits held by banks not secured by mortgage or other lien upon specific property were subject to offset on account of debts owing by the banks to their depositors and others and were therefore practically free from taxation. Thus there came to be two classes of credits in the state, each amounting to large sums, one of which was fully and pretty certainly taxed, the other practically free from taxation. The statistics gathered by Prof. Plehn already mentioned relate chiefly to these two classes of credits and to the rates of interests obtained for each from the time the new constitution went into effect, January 1, 1880, to October, 1898—about nineteen years. From such statistics it appears that the average rate of interest during the period mentioned on the first class mortgage loans in San Francisco, subject to taxation, was 6.81 per cent., and on first class commercial paper held by San Francisco banks practically untaxed, was 4.73 per cent., the difference between the two

During six months prior to the first day of:	RATES EARNED BY SAN FRANCISCO BANKS.					OTHER ITEMS FOR COMPARISON.			
	All Real Estate Loans, Taxed.	Loans on Bonds and First-class Commercial Paper, Un-taxed.	Real Estate Loans, in San Francisco, Taxed.	Real Estate Loans in Alameda County, Taxed.	Real Estate Loans in Outside Counties, Taxed.	All Mortgages according to the Census of 1890.	Mortgages on which the Mortgagors pay the Tax.	Rate of Taxation in San Francisco per \$100 of Assessed valuation.	Mortgages in San Francisco according to the Census of 1890.
Apr., 1890 ¹	8.91	4.32	8.05	9.23	10.87	Per cent. 10.42	Per cent.	\$2.24	8.29
Oct., 1890..	8.78	4.02	7.94	9.13	10.79	9.54	.....	1.80 ⁵ / ₁₆	7.91
Apr., 1891..	8.46	4.37	7.76	8.84	10.73				
Oct., 1891..	8.13	3.60	7.38	8.62	10.11				
Apr., 1892..	8.02	3.65	7.25	8.36	9.27	8.92	.....	1.80 ³ / ₁₆	7.01
Oct., 1892..	7.52	3.55	6.68	8.04	8.57		.....	1.69 ⁷ / ₁₆	6.86
Apr., 1893..	7.20	4.03	6.45	7.77	7.90	8.45	.....	
Oct., 1893..	7.06	4.42	6.35	7.69	7.87		.....	
Apr., 1894..	6.94	4.49	6.21	7.71	7.93	8.58	.....	1.57 ⁷ / ₁₆	6.70
Oct., 1894..	7.10	4.72	6.56	7.58	7.87		.....	1.58 ³ / ₁₆	6.92
Apr., 1895..	7.14	5.03	6.56	7.60	7.90	8.95	.....	
Oct., 1895..	7.14	4.89	6.56	7.49	7.87		.....	
Apr., 1896..	7.12	4.34	6.52	7.48	7.82	8.84	.....	1.57 ⁷ / ₁₆	6.81
Oct., 1896..	7.09	3.89	6.50	7.39	7.83		.....	
Apr., 1897..	7.10	3.83	6.44	7.38	7.85	8.78	5.35	1.75 ⁵ / ₁₆	6.64
Oct., 1897..	7.03	4.31	6.36	7.32	7.82		5.54		

Apr., 1888	7.08	4.66	6.38	7.33	7.78	8.93	5.24	1.75 ⁵³ ₁₀₀	6.58
Oct., 1888	7.20	4.66	6.43	7.34	7.81	8.93	5.71		
Apr., 1889	7.23	4.59	6.45	7.38	7.82	8.74	5.26	1.72 ³ ₁₀	6.61
Oct., 1889	7.36	4.47	6.49	7.39	7.83		5.29		
Apr., 1890	7.48	4.69	6.84	7.49	7.83		5.20	1.61	
Oct., 1890	7.42	4.71	6.78	7.50	7.82		5.26		
Apr., 1891	7.52	5.22	6.82	7.53	7.89		5.03	1.47 ¹ ₁₀	
Oct., 1891	7.54	5.30	6.84	7.62	7.91		5.17		
Apr., 1892	7.54	5.21	6.85	7.65	7.90		5.17	1.43 ⁴ ₁₀	
Oct., 1892	7.50	5.22	6.81	7.67	7.90		5.25		
Apr., 1893	7.47	5.23	6.82	7.69	7.84		5.09	1.60 ⁶ ₁₀	
Oct., 1893	7.44	6.39	6.82	7.69	7.83		5.17		
Apr., 1894	7.45	5.69	6.87	7.70	7.79		5.10	1.49 ³ ₁₀	
Oct., 1894	7.50	5.58	6.83	7.73	7.78		5.34		
Apr., 1895	7.49	5.41	6.87	7.73	7.76		5.29	2.25	
Oct., 1895	7.48	5.32	6.90	7.75	7.74		5.29		
Apr., 1896	7.46	5.42	6.92	7.57	7.69		5.36	1.39 ⁸³ ₁₀₀	
Oct., 1896	7.46	5.04	6.91	7.76	7.68		5.36		
Apr., 1897	7.44	4.64	6.86	7.81	7.62		5.36	1.69 ⁵⁴ ₁₀₀	
Oct., 1897	7.33	5.21	6.89	7.78	7.41		5.36		
Apr., 1898	7.25	5.05	6.88	7.75	7.29		5.01	1.80 ⁶ ₁₀	
Oct., 1898	7.19	4.90	6.87	7.75	7.17		5.68		
Av's since 1880....	7.46	4.73	6.81	7.77	8.13	9.00 ²	5.28 ³	1.69 ¹ ₁₀	7.03 ⁴

¹ Taxation of mortgages according to new constitution began March, 1890.

² 1880 to 1889, inclusive. (The census average for the ten years is 8.90 per cent. This does not correspond with the figures given for each year. The difference may be due to small fractions not given.)

³ 1887 to 1898, inclusive. (The amount of these is too small to warrant any safe conclusions.)

⁴ 1880 to 1889. (The census average for the ten years is 6.35 per cent. This does not correspond with the figures given for each year. The difference may be due to small fractions not given.)

classes of credits, in the average interest rate, being 2.08 per cent. The average rate of taxation in San Francisco for the same period was slightly less than 1.7 per cent., or over one-third of one per cent. less than the difference between the two interest rates. Thus it appears that the rate of interest on taxed credits exceeded the rate on untaxed credits by an amount equal to the average tax rate and over one-third of one per cent. in addition to cover the cost of shifting the tax from creditor to debtor. The statistics gathered by Prof. Plehn from other parts of the state of California indicate a wider difference between the interest rates on the two classes of credits, and a larger cost of shifting; but as these other statistics are rather less certain and less conclusive the results are not stated, except as shown in his table, which is subjoined hereto. A very full explanation of the manner in which these statistics were obtained, and showing their reliability is given in an article by Prof. Plehn published in the *Yale Review* for May, 1899. The explanatory notes following the table are by Prof. Plehn.

Prof. Plehn also furnishes like statistics for a period of ten years prior to 1880. These statistics corroborate and support those given for the later period. But there were several changes in the law during the earlier period; it was not uniformly enforced during that time, and the conditions were otherwise complicated; consequently the statistics are deemed less valuable and less conclusive than those for the later period. They are given in the subjoined table, also taken from the article in the *Yale Review* already mentioned, without further comment except a brief quotation from Prof. Plehn.

"No safe conclusion as to the effect of the mortgage tax can, in this case, be drawn from a comparison of the rates of interest on mortgages, before and after the adoption of the present constitution; because mortgages, were always taxable down to 1876, and between that time and 1880 there was so much uncertainty as to what the method of taxation would be, that the banks and other lenders prepared to meet any emergency and kept themselves amply protected. Thus, as far as the lender was concerned, the constitution made no practical difference and could not be supposed to affect the rate."

During six months prior to the first day of:	RATES EARNED BY SAN FRANCISCO BANKS.					Rate of taxation in San Francisco per \$100 of assessed valuation.
	All real estate loans. Taxed.	Loans on bonds and on first class commercial paper. Untaxed.	Real estate loans in San Francisco. Taxed.	Real estate loans in Alameda county. Taxed.	Real estate loans in outside counties. Taxed.	
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	
Apr., 1871.....	12.00	.....	11.38	12.32	12.78	\$2.97
Oct., 1871.....	11.51	.....	10.97	11.76	12.00	.....
Apr., 1872.....	11.21	.....	10.50	11.42	11.85	1.50
Oct., 1872.....	10.99	9.23	10.32	11.06	11.81	.....
Apr., 1873.....	10.89	.....	10.22	10.94	11.73	1.60
Oct., 1873.....	10.88	.....	10.22	10.83	11.81	.....
Apr., 1874.....	10.79	7.65	10.05	10.76	11.84	2.09 ¹ / ₆
Oct., 1874.....	10.58	7.30	9.76	10.58	11.60	.....
Apr., 1875.....	10.50	9.50	9.53	10.51	11.65	1.60 ⁵ / ₁₆
Oct., 1875.....	10.39	9.68	9.48	10.37	11.44	.....
Apr., 1876.....	10.42	9.01	9.74	10.32	11.41	2.12 ⁵ / ₁₆
Oct., 1876.....	10.44	8.43	9.83	10.21	11.56	.....
Apr., 1877.....	10.35	7.41	9.68	10.05	11.64	1.83
Oct., 1877.....	10.04	5.92	9.16	9.80	11.54	.....
Apr., 1878.....	9.64	6.07	8.94	9.64	11.35	2.21
Oct., 1878.....	9.20	6.93	8.27	9.46	11.21	.....
Apr., 1879.....	9.05	6.20	8.13	9.21	11.28	1.99 ⁵ / ₁₆
Oct., 1879.....	9.01	5.57	8.14	9.30	11.11	.....

It will be seen in the first table that there has been a marked decline in the rates of interest on taxed mortgage loans since 1880, and this fact has been referred to as refuting the contention that the tax is shifted to the lender in a higher rate of interest. This argument comes to nothing when it is considered that the contention mentioned is only that the rate on taxed credits is higher *in comparison with untaxed credits*. The first table (1880-1898) shows that while the interest rate on taxed credits declined the decline in the rate on untaxed credits at least kept pace relatively. For that matter the interest rates on both classes of credits had been declining for ten years or more prior to 1880, as the second table clearly shows.

It has sometimes been pointed out that the interest rate on mortgages is lower in California than in some of the neighboring states, and this fact has been offered as evidence that in California the tax on mortgages is not included in interest rate, upon the assumption, apparently, that if the tax were so included the interest rate in California would equal the interest rate in such neighboring states. In a recent letter written by Prof. Plehn he makes the following comment upon such contention:

The fact that in 1890 mortgages bore a higher rate in states bordering upon California is not surprising, because the credit conditions were very different. California had well developed banks, assured resources, and ample capital for all investments. This was not true of the other states. Moreover, taxation could have made no difference in any event, for mortgages were taxable in all these states (save that outside of California the owner was also taxable). So far as the rate of interest is concerned the lender had to protect himself in Oregon, Nevada, etc., against taxation just as much as in California. The only difference was that outside of California the poor borrower paid two taxes, one in the rate of interest and one in the entire property covered by the mortgage.

An apology would seem to be due for pursuing this branch of the subject at such length. It seems to be justified, however, by its very great importance and the belief so prevalent, that the tax paid by the creditor is not shifted to the debtor. The conclusion seems irresistible that it is shifted under ordinary conditions with something added to cover the creditor's risk of a higher tax than that which comes to be actually imposed.

There remains for consideration the seventh and last of the primary propositions mentioned, *that laws designed to prevent the shifting of the tax from creditor to debtor are impracticable and serve to injure rather than to benefit the debtor, the only person for whose protection they are intended.*

It has been seen that such shifting results from the operation of natural laws of trade and commerce. It has also been observed that these natural laws or economic forces, if they may be called such, are ordinarily of greater potency and more certain in their operation than legislative enactments. It hardly seems reasonable to suppose that any body of intelligent men would seriously undertake to oppose the weaker force against the stronger with any expectation of success, but that is really what is contemplated in a proposition to thwart and suspend the operation of such natural laws by a statute designed to prevent such shifting.

The only known instance in which there has been any sustained effort to accomplish such purpose is the experiment undertaken in California. At that time (1879) it must have been considered a very simple thing to do. All that was done was to incorporate in the new constitution and to repeat in the statutes, a provision declaring void "every contract hereafter made by which a debtor is obligated to pay any tax or assessment on money loaned, or on any mortgage, deed of trust, or other lien."¹ The facts disclosed in Prof. Plehn's statistics show that the attempt was an utter failure. There was absolutely nothing to prevent the tax being shifted in the form of a higher rate of interest.² It seems strange, now at least, that

¹ Const., Art. XIII, Sec. 5; Political Code, Sec. 3627.

² Even more direct methods of shifting were not prevented. It has become a common practice to stipulate in the mortgage for a rate of interest sufficiently above the net rate asked by the lender to cover the tax and something more, the *mortgagee* agreeing to remit all in excess of such net rate in case the *mortgagor* should pay the tax upon the mortgage. This is advantageous to the debtor, for by complying with the condition he can save the "cost of shifting." The Supreme Court has sustained these agreements as valid, holding that the *debtor* did not thereby become "obligated" to pay the tax. *Hewitt vs. Dean*, 91 Cal., 5; *Bank vs. Webber*, 110 Cal., 538.

nothing further was then attempted, and stranger still, that in more than twenty years following there has been no further legislative attempt to prevent the shifting of the tax, unless the people and legislators of California have reached the conclusion, as well they may, that all such attempts are futile.¹ And there would seem to be a sort of fateful irony in the fact that the experience in that state, the only state which has made any long continued effort to prevent such shifting, is now usually cited as a shining example to support the proposition that a tax upon credits is ordinarily shifted to the debtor.

But what can the legislature do further than was done in California in attempting to prevent the shifting of the tax? It might forbid and seek to prevent mortgagees from making agreements to remit a portion of the interest on payment by the mortgagor of the tax on the mortgage; but this would not prevent the more usual form of shifting in a higher rate of interest, and if effectual would serve only to prevent the mortgagor from escaping the "cost of shifting." The only plan that has thus far been suggested is to forbid the taking of an interest rate so high as to permit the inclusion of the tax, with penalties, etc. Such a plan would inevitably force many lenders into other lines of investment, leaving the field to those who are willing to take the risks involved in the violation and evasion of the law for the greater compensation which could be obtained in extortionate rates, when successful, by reason of the monopoly thus afforded—save the few who will not incur such risks and are so circumstanced that they are unable to shift their investments and who must therefore submit to an actual injustice and hardship imposed by law. And, aside from this last mentioned

¹ This is the view taken by the Supreme Court of that state, at least. "The provision thus incorporated in the constitution was intended for the benefit of the borrower, but it is unnecessary to say that the results expected therefrom have not been realized. All experience has shown that the rate of interest is governed by the inflexible laws of trade, and is regulated by the same law of supply and demand as that which governs all other articles of commerce, and that legislatures and constitutional conventions are powerless in their attempts to change this law; that whenever the state imposes a tax upon a commodity, the burden of that tax is borne by him whose necessities require him to purchase, and not by him who holds it for sale."—*Hewitt vs. Dean*, 91 Cal., 5-12.

class, the debtor, the only person whom such law is designed to protect and benefit, becomes the sufferer. The farmer, manufacturer or other person who needs low priced credits to aid him in his enterprise must either go without or pay extortionate rates, which if long continued will drive him out of business or into bankruptcy. Argument is hardly needed to show that industrial and other business activity depends in very large degree upon cheap and plentiful credits for legitimate enterprises. It is within the observation of every one that business depression is always produced where the volume of credits has become unduly contracted. If such contraction is marked and sudden, we have business panics. Most industrial and other legitimate business undertakings are in the hands of men who are making or can make them successful under normal conditions. Such men are able to make their enterprises grow and expand beyond their own means, and can advantageously use and employ the capital of others and pay reasonable compensation for such use. The enterprising farmer who is developing or improving his property or is seeking to purchase farm lands which he can work with profit if provided with means for that purpose, as well as the pushing manufacturer or merchant, and even the would-be builder of a cottage home, are usually benefited by loans at a reasonable rate. If these are readily secured, industrial activity prevails on every hand; consumption is increased, taking care of increased production; sales are not forced and prices are maintained; in brief we have prosperous times. If the volume of credits be materially decreased or if they are difficult to obtain or are made unduly expensive by excessive interest rates, such activities must cease or be greatly reduced. Depression follows. As credits are called in, sales are forced and prices go down; we have hard times. Clearly the legislature should not pursue a policy which would or might tend to such conditions unless greater evils can thereby be averted—certainly not in behalf of the very class who would be the chief sufferers.

There seems to be no avoidance of the conclusion that it is impossible for the legislature to prevent or suspend the operation of the natural laws by which taxes paid by creditors are shifted to their debtors except as to a very small proportion of such

creditors, who as shown above, by the unequal operation of such legislation would suffer palpable injustice.

But if it were possible to enact and enforce statutes which would compel all creditors to pay taxes on all credits held by them and prevent shifting of the burden, the obstacles and difficulties to be overcome in order to accomplish such purpose are so numerous and of such magnitude as to justify the legislature in refusing to make the attempt. It would require pages to merely mention the more common devices for *evading the assessment* of credits, to say nothing of the myriad inventions which a more rigorous system of laws would produce, all of which must be anticipated and provided for by legislation which will effectually overcome and prevent such evasions. And when this much is accomplished, there remains the infinitely greater task of providing ways and means by legislative enactment to frustrate and circumvent the multitude of devices by which the shifting of the burden would be attempted. The enormous increase in administrative work and expense involved in the accomplishment of such scheme is of itself appalling, to say nothing of the intrinsic difficulty of devising and framing the requisite legislation. The taxation of credits is commonly considered with reference only or chiefly to such as are secured by mortgage or other lien upon specific property. If mortgages alone were to be dealt with, the difficulties suggested above would be sufficient to cause a thoughtful person to hesitate, if not to abandon the scheme. It should be remembered, however, that there is a vast quantity of credits other than those secured upon specific property which must be embraced in such scheme. When it is realized that this great amount and infinite variety of unsecured, unrecorded and easily concealed credits are to be brought to light, taxed and the shifting of the tax prevented, the magnitude of the undertaking and of the difficulties to be encountered and overcome will begin to be appreciated—and all this, not for the purpose of securing the assessment of property which ought to be taxed and would otherwise escape, but for the sole purpose of attempting by arbitrary legislative action to apportion between debtor and creditor the

burden of taxation upon property in which they are jointly interested.

The alternative plan, of taxing the actual property in the possession of the debtor and nothing more, leaving the adjustment of the burden to be worked out between him and his creditor by natural law in a lower rate of interest, in comparison, is simplicity itself. Such plan recognizes and proceeds upon the maxim that legislative action should follow and be in accordance with natural economic laws. Temptations for evasion are taken away or at least reduced to a minimum, penalties are removed, legislative and administrative difficulties and expenses are practically nothing in comparison. But above and beyond all, the relations and affairs of the two classes,—debtors and creditors—the regulation of which is the sole purpose of the other plan, would be in infinitely better situation.

But there are further considerations which of themselves would seem to render the direct taxation of credits inexpedient and inadvisable. Attention is called to the fact, mentioned on a preceding page, that under existing laws credits held by banks, trust companies, life and fire insurance companies and various other corporations taxed by license fee or other special method in lieu of direct taxes upon their personal assets, are not subject to assessment for taxation, and that credits held by non-residents of the state arising upon obligations owing by residents of this state or secured upon property located in this state, are also non-assessable. It is true that credits held by banks are subject to a small burden of indirect taxation. The taxation now imposed upon banks, where the laws are duly administered, is substantially equal to taxation of their capital, surplus and undivided profits, plus real estate, if any, at the same rate as that imposed upon other property assessed and taxed directly. Inasmuch as most banks hold credits and other personal assets in amounts greatly exceeding their combined capital, surplus and undivided profits, plus real estate, the indirect tax burden upon their credits along with other productive assets, is far less than would be imposed if such credits were directly assessed and taxed at the full rate imposed upon property in general. As to trust companies, life and fire in-

insurance companies and other corporations taxed by special method, it is believed that the rate of the indirect tax burden upon their credits is in no case more, and in general is less than that cast upon credits held by banks. As to credits held by non-residents it has been seen already that they are subject to no tax burden whatever in this state. Now, if all other credits were assessed and taxed at the full rate imposed upon general property, leaving credits held by banks and the other corporations mentioned, and by non-residents, to bear the much lighter indirect burden now imposed, or none at all, it is plain that an enormous advantage would result in favor of the latter classes of credit holders, who by reason of such advantage would in time come to have a practical monopoly of the business of making loans at interest. Private individuals residing in this state could not successfully compete at such disadvantage with non-residents and the corporations which would be thus favored. Competition being restricted, rates of interest would naturally be higher than under free competition. There would be nothing to prevent the persons and corporations enjoying such monopoly from shifting the whole burden to their debtors, besides levying upon them the larger measure of profit made possible by such monopoly.

From the foregoing it would seem plain that in any scheme for the taxation of credits it is essential in order to avoid injustice and inequality that *all* credits should be reached and taxed at substantially the same rate; and that in order to accomplish this it would be necessary to revise and radically change the laws now in force for the taxation of banks, trust and insurance companies and the various other corporations referred to, as well as to devise some scheme for effectually taxing the non-resident creditors of debtors residing in this state. But the laws of the United States forbid the taxation of national banks by any other method than that now in force.¹ To tax the

¹ The present laws of this state require the shares of stock in national banks, as well as other incorporated banks, to be assessed to the share holders in the district in which the bank is located. The direct assessment of the "capital" of such banks is forbidden, the assessment of the shares being in lieu of assessment of the capital itself. Secs. 1 and 2,

other banks by a different and more burdensome method would be insupportable. To reach the non-resident creditors would involve grave problems of interstate comity to say nothing of the intrinsic difficulty of reaching all kinds of credits in the hands of that class of persons. Then, there is the non-resident *debtor* to be protected against the avenging spirit of his resident creditor. The case of such debtors may not concern us deeply, but the state cannot justly permit this class of resident creditors to have a clear advantage over their fellows; otherwise the loanable capital of the state would be flowing to more hospitable jurisdictions.

These are some of the difficulties which beset the path of the legislator who would undertake to suspend the operation of the natural laws of trade and finance and to force economic currents to run in a backward course.

It is scarcely necessary to make a formal statement of our final conclusions. It seems very clear that the only just and rational solution of the problem as to taxation of credits is to cease all attempts to tax them—in other words, to exempt them from taxation. This would not be an exemption in any true sense for there is really nothing to exempt. Credits are property for purposes of taxation by legal fiction only. The proposition therefore, is not to exempt property, but to abolish the fiction.

In the report of this commission to the Legislature of 1901, in speaking of taxation of so-called intangible property, including credits, it is said:

The time is perhaps not far distant when a better understanding of these questions will be had and when there will be a more distinct demand than now exists that much of the intangible property, so-called, which under existing practice is virtually

Chap. 102, 1866, being part of the banking laws adopted by vote of the people, and printed in Statutes of 1898 on pp. 1527-1528. But real estate owned by such banks is subject to taxation, and no deduction on that account is allowed in the assessment of the shares of stock. *Second Ward Savings Bank vs. Milwaukee*, 94 Wis., 587. The statutes of the United States permit the taxation of national banks to the extent and in the manner above indicated and not otherwise. U. S. Rev. Stat., Sec. 5219.

exempt, shall be made expressly exempt from direct taxation It may be remarked in this connection that a transition from virtual exemption under existing practice to substantially the same exemption by legislative act, would involve no disturbance in commercial or industrial conditions.

It is believed that there is a much better understanding of the subject of taxing credits now than two years ago. Something has been learned by the more rigid enforcement of existing laws during the past two years, and such enforcement has led to a great deal of discussion and thought upon the subject among the people of the state. Many persons have come to see and judge of the matter in its true meaning and significance. There is undoubtedly a "more distinct demand" for the abolition of the laws requiring the assessment of credits than ever existed before, and the time seems ripe for legislative action. It is earnestly hoped that such action will be no longer deferred.

It has been often suggested that this step should not be taken until something in the nature of a substitute could be worked out and enacted into law. But in the very nature of things there can be no real substitute for the taxation of credits. The tax upon credits is not a logical or essential feature of the general property tax system. The essential principle of the general property system is to tax *property*. The credit tax is not a tax upon property but upon a mere fiction specially enacted for that purpose. In its relation to the general property system it has no logical connection; it is an excrescence, a monstrosity, having no basis in economic truth or in substantial justice; working only wrong and injury to individuals and disadvantage to the people as a whole. There can be no substitute for such a thing; there is nothing good in it to be retained by substitute; being wholly bad, it should be lopped off absolutely and without further delay.

IV. *Legislation in Other States.*

As is generally well known, the direct taxation of credits as property has long been abandoned in nearly every civilized country except in the States of the American Union. This fact will perhaps seem less significant if considered in connection

with the further facts that in most of such other countries personal property is not taxed directly, and in many a tax is imposed upon incomes, mitigated, however, in some instances if not usually, by moderate exemptions. An income tax amounts to an indirect tax upon interest bearing credits just as it is an indirect tax upon all property producing income. But such indirect tax is very small as compared with the amount of tax usually imposed upon credits when taxed directly as property. For example, a tax of five per cent. on income would be equal to a direct tax of only one-fourth of one per cent. on a bond bearing five per cent. interest, assessed at par.

Substantial progress has been made in a number of the American States toward eliminating the feature of double taxation usually involved in the taxation of credits. The legislative efforts in that direction have been thus far confined chiefly to credits secured by mortgage or other express lien upon specific property. As indicated in the foregoing pages, this is the case in California, where the subject has probably received fuller consideration than in any other state and where the protests against this form of double taxation have been most earnest and persistent.

It will be remembered that the essential features of the California plan are, that the credit is considered as an interest in the specific property upon which it is secured by mortgage or other express lien; that it is deemed to have its *situs* or location for the purpose of taxation, and is required to be assessed, in the assessment district in which the specific property is situated; and although in form assessed to the holder of such credit, the tax levied pursuant to such assessment is made a lien upon the same property on which the debt is secured. Thus credits so secured held by non-residents of the state may be reached as effectually as those held within the State. Legislation upon this plan has been sustained by the supreme court of the United States,¹ the court having final jurisdiction to determine its validity, on the ground that it is competent for a state legislature to treat such credits as an interest in the specific property upon

¹ *Savings and Loan Society vs. Multomah County*, 169 U. S. 421.

which the mortgage or other security is given and to fix the *situs* of such credits accordingly. It is believed, however, that the courts would not uphold legislation fixing the legal *situs* of credits not secured by mortgage or other express lien upon specific property in any other jurisdiction than that in which the creditor or person in custody of the evidences resides.¹ If this view is correct, it would be impossible to extend the California plan to credits not secured upon specific property so as to include those which are held by non-residents of the state. For this reason among others it is not surprising that there has been no attempt in California or elsewhere to extend the plan to credits not secured upon specific property. Apparently, discovery has not yet been made of a satisfactory plan whereby substantially all credits not so secured will be assessed for taxation and relief also be given to debtors by corresponding reduction in the assessment of their actual property.

In a few states, including New York and Vermont, there have been statutes granting to debtors a reduction or exemption in the assessment of their personal property equal to the amount of debts owing, without reference to the manner in which such debts were secured and, usually, without making such exemption conditional upon the assessment of such obligations to their creditors. Inasmuch as such credits have not been assessed to any great extent such statutes have not worked well, but have created much dissatisfaction. They offer a great temptation, which many do not resist, to evade full assessment by the creation or assertion of fictitious debts. Much property otherwise taxable is thereby omitted from the assessment rolls without corresponding assessment of credits. In most of the states, as in Wisconsin, a reduction or exemption is allowed *in the assessment of credits only*, but not in the assessment of any other property, equal to the amount of debts owing by the person assessed. In some of the states, as in California, the measure of this exemption privilege is limited to the amount of debts owing to residents of the state. This privilege affords the same temptation to create fictitious debts, though not to so many persons, and

¹ See *Cooley on Taxation*, 2nd ed., p. 79, citing *State Tax on Foreign Held Bonds*, 15 Wall. (82 U. S.), 300, and other cases.

has brought forth strenuous objections from assessing officers, among others, who have been often frustrated in their attempts to assess credits, by the assertion of debts owing which, they believed at least, were not bona fide.

All statutes allowing exemptions on account of debts owing are enacted for the purpose of relieving debtors to some extent from the injustice of double taxation which would result from the assessment of credits without corresponding reduction in the assessment of the debtor's actual property. They seem to be practicable only when limited to the case of credits secured by mortgage or other express lien upon specific property. As to credits not so secured, such statutes fail signally to work satisfactory or equitable results.

The states which now have statutes in force by which double taxation is avoided in respect to mortgages or other equivalent lien on real estate are California, Colorado, Connecticut, Idaho, Massachusetts and New Jersey. Such statutes have also been enacted in Oregon and Michigan, but have since been repealed. The California plan was recently adopted in Missouri by constitutional amendment, but it has since been declared invalid by the supreme court of that state,¹ on account of the provisions excepting mortgages of railroads and other quasi-public corporations from the operation of the law. In some of the states mentioned the constitution forbids the direct exemption of mortgages by legislative act. In such states double taxation is avoided by taxing the mortgage and permitting the amount of the mortgage to be deducted in the assessment of the mortgaged real estate. This practice is also adopted in some of the states where exemption of the mortgage is not prohibited by the constitution. In California, as already shown, an agreement by the mortgagor to pay the tax upon the mortgage is prohibited. The law once in force in Oregon and the attempted enactments in Missouri were the same in this respect. But in Massachusetts, the mortgagor is at liberty to bind himself to pay the tax upon the mortgage, and usually does so; both mortgagor and mortgagee are at liberty to have the mortgage assessed but

¹ *Russel vs. Croy*, 164 Mo., 69.

neither is obliged to do so; if the mortgage is not assessed, no deduction in the assessment of the land is allowed on account of the mortgage. Thus where the mortgagor has undertaken to pay the tax upon the mortgage, there is no incentive to have the mortgage assessed. As a result very few mortgages are assessed; one tax is paid on the entire value of the mortgaged real estate and no more. In practical working and results the system is the same as if mortgages were expressly exempt. The laws of New Jersey and Connecticut, and the Michigan law, now repealed, are substantially the same as that of Massachusetts in these respects. Colorado, whose constitution seems to prohibit direct exemption, seeks to accomplish the same result by declaring the mortgage to be an interest in the real estate covered thereby, requiring the interest of the mortgagor and of the mortgagee to be assessed together as a unit, and forbidding the mortgage interest to be assessed separately or in any other way. In Idaho alone, credits secured by mortgage or other express lien on real estate are directly and expressly exempt.

A more complete statement of the statutes and constitutional provisions above mentioned is given in a bulletin of the Taxation Department of the National Civic Federation issued in November, 1902. This bulletin contains the full text of such laws with citations to the original acts and also much useful related information, together with explanations and comment. It is reprinted as an appendix to this report.

CHAPTER VI.

STOCK IN CORPORATIONS.

Shares of stock in business corporations bear such close analogy to credits that much of what is said respecting the taxation of credits is equally applicable to the subject of taxing such stocks; consequently the latter subject will not require extended discussion under a separate head. In *Ruggles vs. Fond du Lac*, 53 Wis., 436, this analogy is recognized in the ruling there made that shares of stock in an incorporated bank may be regarded as a debt of the corporation to the stockholder, so as to entitle the latter to deduct in the assessment of such stock the amount of debts by him owing, under the provisions of subdivision 10 of Sec. 1038, Stat. 1898, which allows, in the assessment of credits, an exemption equal to the amount of bona fide unconditional debts owing by the person assessed.

That double taxation results from taxing the corporation upon its capital or the value of its property and taxing also the shareholders upon the value of their shares of stock, is generally recognized and admitted. It is more apparent to some minds than that double taxation results from taxing credits as property without corresponding reduction in the assessment of the property of debtors. In the opinion of the Supreme Court of Pennsylvania in *Commonwealth vs. Fall Brook Coal Co.*,¹ the following language is used:

A corporation is an artificial person created by law for the purpose of becoming the business representative, agent or trustee of so many persons as may join to furnish the money with which the business to be done by the corporation may be carried on. The corporation comes into existence, like a natural person, naked. The money furnished by those whose represent-

¹ 156 Pa. St., 488, 494.

ative it is to be, is its capital stock. The amount that each person contributes to this fund is his share in the venture, and is called his share or shares in the stock. The legal title to the whole sum so contributed is in the corporation, and so is the legal title to all the property real or personal in which it may be invested. The equitable title, that is, the right to the profits from the business done, and to a return of the capital when the corporation is dissolved, is in the stockholders. There is one estate, one business, but the title has been divided, by the separation of the power of control, from the right to receive the profits.

Now, how shall this single estate be taxed. It may well be taxed in the name of the corporation, the legal owner, or the names of the shareholders, the equitable owners.

Whatever method may be adopted the same capital is reached, and the ultimate burden rests on the same persons. It is clear, therefore, that to tax the capital stock in the hands of the corporation, and then tax the owners of the parts or shares into which it is divided, upon their respective holdings in the same capital, is double taxation pure and simple.

To the same effect are the following extracts from the opinion of the Supreme Court of Michigan in *Stroh vs. Detroit*, 90 N. W. Rep., 1029:

The constitution of this state requires that there be a uniform rate of taxation The taxation of shares to the shareholder, and property to the corporation, is clearly double taxation within the spirit of the constitutional provision, and while we appreciate the fact that the shareholders and the corporation are different entities in the law, and that shares of stock are recognized as property, and distinct from the corporate property, it is plain that the shareholders are the corporation and that they are the owners of its property. The constitution does not permit the taxation of both property and shares, and we must, if possible, give such a construction to the law as to make it reconcilable with the constitution.

Substantially the same principles are declared in California by statute:

Shares of stock in corporations possess no intrinsic value over and above the actual value of the property of the corporation which they stand for and represent, and the assessment and taxation of such shares and also of the corporate property would

be double taxation. Therefore all property belonging to corporations shall be assessed and taxed, but no assessment shall be made of shares of stock, nor shall any holder thereof be taxed therefor.¹

The legislature of Wisconsin has recognized this principle for many years in the provision now found in subdivision 9 of section 1038, Stat. 1898, exempting from taxation "stock in any corporation in this state which is required to pay taxes upon its property in the same manner as individuals."

By the foregoing provision the legislature has granted relief against double taxation in the case of corporations *in this state* which are required to pay taxes *upon their property in the same manner as individuals*, but not in the case of other corporations. The expression "corporations in this state" is understood to mean corporations organized by or under the laws of this state, and no other. There is at least a question whether stocks in those corporations which are taxed by license fee or other special method in lieu of direct taxation upon their property, such as railroad corporations, can be regarded as exempt under the provision quoted above. When the license fee method of taxing railroad corporations was first adopted in this state, the tax by such method was expressly declared to be in lieu of taxation of shares of stock in such corporations as well as the corporate property itself, and such stock was expressly declared to be exempt.² But the provisions expressly exempting shares of stock in railroad corporations were not retained in the later revisions of the statutes, and it is at least a serious legal question whether such shares are now exempt.³

Every consideration of justice and equity requires that the principle embodied in subdivision 9 of Sec. 1038 should be extended to stock in every corporation which is required to be taxed directly upon its property or indirectly by license fee or other special method in lieu of a direct tax upon its property, and this without regard to the location of the property or whether the corporation be organized under the laws of this

¹ *Political Code*, Sec. 3608.

² Chap. 74, Laws of 1854; R. S. 1858, Chap 18, Sec. 183.

³ See note, "*Railroad Stocks*," under Sec. 1038, Stat. 1898, p. 803.

state or otherwise. And this is demanded not only as a matter of simple justice to individual residents of this state holding such shares, but also upon the most weighty considerations of interstate comity. All will agree that it would be monstrous to attempt to tax in Wisconsin a citizen of this state upon land or other tangible property actually located and fully taxed in another state. But manifestly the case stated is not different in principle from a case in which the same property is held by a corporation of such other state and shares of stock therein are held by residents of this state. The situation and the true policy is stated by "a distinguished law writer" as follows:

It is undoubtedly within the constitutional power of the legislature of a state to enact a statute that persons residing in that state, who are stockholders in a corporation created by another state, shall be taxed on their shares of stock at their residence within the former state. This principle of law is based on the fact that shares of stock are personal property; that they are distinct from the corporate property, franchises and capital stock; that they follow the domicile of their owner like other personal property, and that consequently he may be taxed therefor wherever he may reside. It accordingly is a question of policy and expediency with a state whether or not it will tax its citizens who are stockholders in foreign corporations. A few of the states levy such taxes. But New York pursues the more broad and liberal policy that shares of stock should not be taxed where the corporation is already taxed; that the state which furnishes facilities to the corporation for the earnings of dividends should have the sole benefit of taxes on such corporate interests; that a tax on resident stockholders in non-resident corporations would generally result in a double taxation of stockholders not residing in the state creating the corporation; and that interstate comity, interests, and financial investments are promoted best by taxing corporations directly, and not levying a tax on either resident stockholders in non-resident corporations or resident stockholders in resident corporations where the corporation itself is subject to taxation. The injustice of a tax on resident stockholders in foreign corporations is at once apparent when it is considered that the state creating the corporation nearly always taxes the corporation itself or all its stockholders, resident and non-resident; and that if stockholders residing elsewhere are taxed again where they reside, they are taxed both in the state of the corporation,

directly or indirectly, and also directly in the state where they reside. No reduction need be allowed in the latter state for taxes levied upon the corporation in another state.¹

The Supreme Court of Michigan quotes the above language with approval, adding:

New York has long recognized this rule. Pennsylvania has adopted a similar rule. New Jersey imposes no tax upon shares except of banks. Texas does not tax shares where the corporate property is taxed. In California the legislature relieved domestic corporations by the following enactment: "Shares of stock in corporations possess no intrinsic value over and above the actual value of the property of the corporation which they stand for and represent, and the assessment and taxation of such shares and also of the corporate property would be double taxation. Therefore all property belonging to corporations shall be assessed and taxed, but no assessment shall be made of shares of stock, nor shall any holder thereof be taxed therefor."

There is reason to believe that the consensus of opinion in Michigan is in accord with the views expressed in the quotation for the provision requiring shares of stock to be assessed was quite generally disregarded, if not practically obsolete, until brought into prominence through the recent agitation of the subject of "equal taxation" and the efforts of the authorities to see that all property is listed in obedience to law. The effect is double taxation of such shareholders, as they are taxed at home and abroad².

It should be observed that the last remark of the Michigan Supreme Court is peculiarly applicable to the present situation in Wisconsin. The legislature cannot reasonably expect assessors and their supervising officers to succeed in securing a full assessment of all property legally liable to taxation and at the same time retain upon the statute books laws which if enforced will produce manifest wrong and injustice. The tax on shares of stock in corporations, foreign as well as domestic, which are once fairly taxed on their "capital" or property, either directly or indirectly, should, like the tax on credits, be no longer tolerated.

¹ *Cook on Corporations*, 4th Ed., Sec. 565.

Stroh vs. Detroit, 90 N. W. Rep., 1031.

CHAPTER VII.

TAXATION OF RAILWAYS.

A review of the laws in the American states for the taxation of corporate property will show that few of them have systems which are entirely satisfactory to the railroad corporations or the owners of private property.

The history of railroad taxation commences with the application of the general property tax to those corporations, administered by local officers. The taxation of the general mass of property according to value beginning with the early settlements of this country was continued and in force at the time railroads were first constructed and began their operations in the United States. The laws designed and framed for the taxation of the property of the citizen were consequently applied to the assessment of railroad property, and although inadequate to reach the taxable capacity of those corporations, the practice has not disappeared in all of the states. The progress away from the original plan has been difficult and exceedingly slow in development.

The strong attachment to local self-government in the New England town and the control of local finances by the voters at the annual meeting have spread to the new industrial states in the west, which have borrowed and adopted the ideas of the township system of government. One dominant thought pervading local government is that as all persons and property within the jurisdiction of the district must be protected by the local authorities, the corresponding right of taxation of all property must exist to enable that duty to be performed. The power to locally tax one species of property once acquired is held with great tenacity and reluctantly surrendered. This view is not peculiar to towns, but has extended to the cities and villages throughout the country where advocates are found for

the local taxation of every species of property without regard to its complex or interstate character.

The love of local self-government among the people and the adherence to the primitive method of the general property tax have been persistent and stubborn in defense of the privilege of local officers to tax railroads and other corporate interests in like manner and by the same method as the property of the individual in the town or city is taxed. This sentiment has been so powerful and influential that in many states there still remains the local taxation of some parts of railroad property actually used in their operation as carriers of traffic.

The opposition to giving up sources of local revenue has blocked the attempt to secure more rational and scientific laws for the taxation of corporate property and stood in the way of a complete severance of corporate taxation from the general property tax on real estate and tangible personalty. The disinclination of legislatures to antagonize local interests or disturb the existing order of things has frequently led to permitting taxing districts to retain their hold on such property of railroads as they had been accustomed to assess and to supplement the local tax by new and special forms of taxation on franchises, earnings, etc. Instead of cutting the old method out by the roots and establishing a new and comprehensive system for railroads as entireties, there have been grafted upon the general property tax various kinds of other taxes which together are deemed the equivalent of all the public burdens the railroads ought to bear.

The patchwork thus produced is exhibited in the laws of some of the states, and the situation on the whole is confused and chaotic when the systems of all the states are analyzed and the relative merits of the various systems are attempted to be compared for the purpose of ascertaining the best and most approved method of railroad taxation for Wisconsin.

The practice in the states is uniform in subjecting real estate not connected with the railroad tracks or outside of the right of way or depot grounds and not necessary to railway operations to local assessment in the district of location in the same manner as the property of individuals.

The variety of methods appears when the laws of the different states for the taxation of the property and franchises of railroad corporations are examined. These laws, often of the same general scope, have received divergent judicial construction so that states with statutes in similar language may be different in important particulars in their actual administration, in measuring the values, and apportioning and collecting the taxes. A mere summary of the statute law without reference to the opinions of the courts in each state for the interpretation of the language and phrases in the law of such state, might fail to give an exact view of the system as practically administered.

A law treatise would be necessary to furnish a complete summary of existing laws for the taxation of transportation companies and to point out the precise methods in vogue in all the states.

The total inadequacy of the general property tax when applied to corporate property was early recognized, and as other elements in corporate organization and unity possessed additional value they were seized upon for taxation to make up the deficiency.

By far the most important of these elements was the franchise to be a corporation, to acquire and possess property, to take the lands of private citizens by the sovereign right of eminent domain for corporate use upon making just compensation and to fix and collect charges for receiving and carrying traffic.

The origin of the franchise tax is traceable to the evils and insufficiency of the property tax and has been sustained as a tax on the privilege of doing business and not as a tax on property, thereby avoiding the constitutional provisions of uniformity or equal and proportionate taxation of property found in nearly every state.

The definitions of a franchise, what it really is and how its value shall be measured vary from state to state, and an elaborate presentation of the questions relating to the taxation of franchises would fill a volume. There is no common standard of valuation and for our purpose it seems useless to study the numerous methods, for we are untrammelled with conditions that require separate assessment of franchises.

RAILWAY TAXES IN THE UNITED STATES.

While no synopsis of the state laws for the taxation of corporations will be here attempted, a general view of the methods employed is obtained from the tables contained in the statistics prepared from the reports of the railways of the country under the supervision of Dr. Henry C. Adams, Statistician of the Interstate Commerce Commission for the year ending June 30, 1901.

The explanations with the valuable tables will give a clearer and more comprehensive view of the actual conditions existing in the United States in railway taxation than to take up *seriatim* the laws in the states and make extended explanation of their various provisions.

As introductory to the tables mentioned, the following extract from page 92, Vol. 14, 1901, of the report of the Statistician of the Interstate Commerce Commission is given:

"On page 87 of this report it is shown that the aggregate amount of taxes paid by the railways reporting to this Commission, including \$4,236,537 paid by operated or subsidiary lines, for the year covered by this report, was \$50,944,372. This figure, which is subjected to an analysis, is that embraced in the consolidated condensed income account on page 69, which compiles the reports of both operating and subsidiary lines.

In the first of the summaries which follow, the aggregate of taxes is assigned to States and Territories; in the second summary, taxes are classified on the basis of payments according to the various laws under which railways are taxed. Neither of these summaries includes the taxes paid by the Canadian roads to the Canadian government, which in their reports to this commission are made a charge against earnings within the United States. This second summary includes only such taxes as are paid in accordance with the laws of the federal government and of the several states of the United States."

Summary Showing Taxes and Assessments of the Railways in the United States by States and Territories, for the year ending June 30, 1901.

State or Territory.	Amount.	Per mile of line.	State or Territory.	Amount.	Per mile of line.
Alabama...	\$736,452	\$183 00	New Jersey...	\$1,604,050	\$728 91
Arkansas...	423,946	139 26	New York....	4,493,509	552 51
California..	1,373,109	250 81	North Carol'a	406,522	114 51
Colorado...	1,130,403	240 44	North Dakota	475,388	169 99
Connecticut	1,033,077	1,006 78	Ohio.....	2,828,710	323 29
Delaware...	91,018	262 97	Oregon.....	237,872	148 46
Florida.....	432,258	139 12	Pennsylvania.	4,026,221	397 95
Georgia.....	586,312	107 60	Rhode Island.	170,311	860 46
Idaho.....	258,777	187 95	So. Carolina..	420,992	145 33
Illinois.....	4,655,749	420 63	South Dakota	275,419	94 31
Indiana.....	2,538,272	395 49	Tennessee....	702,555	232 20
Iowa.....	1,535,520	164 14	Texas.....	1,038,171	104 97
Kansas.....	2,190,762	251 63	Utah.....	242,992	159 02
Kentucky...	824,582	277 01	Vermont.....	148,924	143 44
Louisiana...	646,130	253 63	Virginia.....	723,451	194 80
Maine.....	314,555	167 77	Washington...	514,247	178 14
Maryland...	364,932	278 79	West Virginia	455,414	222 28
Massachu'ts	2,856,683	1,366 32	Wisconsin....	1,645,264	258 79
Michigan...	1,307,107	167 60	Wyoming.....	170,743	140 37
Minnesota...	1,486,809	216 52	Arizona.....	168,194	122 17
Mississippi.	477,563	166 86	Dis. of Colu'ia	18,339	577 61
Missouri....	1,244,100	188 20	Indian Terr'y.	16,157	11 26
Montana....	320,528	105 26	New Mexico..	282,710	161 72
Nebraska...	1,147,159	200 73	Oklahoma....	144,830	152 56
Nevada.....	128,944	143 53	Total.....	\$49,726,006	\$261 36
N. H'pshire.	401,244	330 96			

The above summary includes several small amounts unclassified; excludes \$1,182,883 U. S. internal revenue taxes and \$35,483 reported paid to the Dominion of Canada.

"Without undertaking any extended comment, attention is called to the fact that three states received from the railways in excess of four millions of dollars as taxes. In Illinois, railroad taxes amount to \$4,655,749; in New York, to \$4,492,509, and in Pennsylvania, to \$4,026,221. Massachusetts received from this source, \$2,856,683; Ohio, \$2,828,710; Indiana, \$2,538,272, and Kansas, \$2,190,762.

"Of more significance are the sums paid in the several states per mile of line. These vary from \$11.26 per mile of line in Indian Territory, to \$1,366.32 in Massachusetts. Connecticut also shows taxes per mile in excess of \$1,000. The roads of Pennsylvania, on the other hand, pay but \$397.95; those of Iowa, but \$164.14, and those of Michigan, but \$167.60. These great differences are in part explained by the different laws of taxation in the various states, but to this result should doubtless be added the fact that such tax laws as exist are not administered with the same efficiency in all the states.

The task of classifying taxes according to the laws of the several states is a most difficult one. The result of this effort is presented in the next summary."

Analysis of Taxes, by States and Territories, Showing the Basis of Payments According to the Various Laws Under Which Railways are Taxed.

STATE OR TERRITORY.	AD VALOREM TAX.		SPECIFIC TAX.			On property owned, not used in operation, and miscellaneous.	Internal revenue, United States government.
	On the value of real and personal property.	On the value of stocks or bonds or on valuation based on earnings, dividends or other results of operation.	On stocks, bonds, loans, etc.	On gross or net earnings, revenue, or dividends.	On traffic or some physical quality of property operated or on privilege.		
Alabama.....	\$707,636	.....	.....	\$1,353	\$8,411	\$6,432	\$11,258
Arkansas.....	421,321	.....	.....	.....	.....	1,023	1,602
California.....	1,238,393	.....	.....	.....	.....	94,649	40,067
Colorado.....	1,110,951	.....	\$25	.....	.....	7,929	11,498
Connecticut.....	35,254	\$976,981	.....	.....	.....	20,842	.....
Delaware.....	15,637	.....	.....	.....	73,456	1,894	61
Florida.....	429,123	.....	.....	.....	.....	.....	3,135
Georgia.....	557,467	.....	.....	1,513	.....	11,084	12,801
Idaho.....	257,682	.....	.....	.....	.....	813	282
Illinois.....	2,789,755	.....	.....	818,010	.....	28,748	18,783
Indiana.....	3,484,594	.....	.....	.....	.....	32,062	19,582
Iowa.....	1,531,942	.....	318	.....	.....	1,583	1,677
Kansas.....	2,184,923	4,015	.....	.....	.....	.....	1,824
Kentucky.....	717,583	49,701	.....	.....	51,055	2,235	4,008
Louisiana.....	626,226	.....	.....	.....	11,917	1,363	6,624
Maine.....	53,567	.....	.....	236,033	.....	18,418	6,101
Maryland.....	115,432	.....	1,088	220,565	82	21,046	6,719
Massachusetts.....	767,850	.....	.....	.....	5,086	444,163	40,490
Michigan.....	21,055	1,599,094	.....	1,246,285	.....	12,564	27,203
Minnesota.....	30,060	65	.....	1,445,284	.....	7,519	3,881

Mississippi.....	413,537	1,954	.....	58,369	.....	4,560	5,657
Missouri.....	1,221,075	33,417	.....	1,000	.....	.....	15,511
Montana.....	282,288	.....	.....	3,737	.....	42	1,086
Nebraska.....	1,146,866	.....	.....	.....	.....	13,589	251
Nevada.....	115,230	.....	.....	.....	.....	.....	125
New Hampshire.....	373,425	.....	7,008	.....	.....	12,888	7,923
New Jersey.....	1,126,421	409,863	28	4,369	.....	51,841	11,523
New York.....	3,762,534	310,436	51,906	7,655	.....	114,332	28,833
North Carolina.....	391,560	.....	.....	220	.....	613	10,063
North Dakota.....	475,388	.....	.....	.....	.....	.....	.....
Ohio.....	2,260,683	33,493	.....	389,482	.....	105,718	34,329
Oregon.....	217,165	.....	.....	.....	.....	4,103	4,318
Pennsylvania.....	580,885	1,610,124	796,367	580,001	.....	291,050	160,312
Rhode Island.....	177,101	.....	.....	.....	.....	1,563	647
South Carolina.....	399,468	.....	.....	.....	.....	5,773	7,057
South Dakota.....	275,193	.....	.....	.....	.....	14	212
Tennessee.....	677,717	.....	.....	.....	.....	.....	6,894
Texas.....	916,433	.....	60	77,747	.....	6,159	31,433
Utah.....	237,370	.....	.....	.....	.....	3,459	2,163
Vermont.....	260	35	1,367	131,388	.....	4,335	11,004
Virginia.....	636,529	.....	.....	13,218	.....	1,731	9,249
Washington.....	505,008	.....	.....	.....	.....	6,870	2,369
West Virginia.....	414,906	1,178	2,523	23,827	.....	9,137	3,843
Wisconsin.....	77,194	.....	.....	1,537,642	.....	21,395	7,910
Wyoming.....	170,627	.....	.....	.....	.....	83	33
Arizona.....	161,408	.....	.....	.....	.....	3,766	3,020
Dis. of Columbia.....	16,712	.....	.....	.....	.....	1,594	33
Indian Territory.....	15,741	.....	.....	.....	.....	.....	416
New Mexico.....	292,088	.....	.....	.....	.....	62	1,504
Oklahoma.....	144,544	.....	.....	.....	.....	.....	286
United States.....	\$34,574,807	\$5,034,495	\$853,082	\$6,920,402	\$345,713	\$1,379,054	\$585,505

"The appearance of small amounts in certain columns of the above summary may indicate a failure on the part of some of the reporting carriers to interpret the laws under which they pay taxes in conformity with the principle of classification prescribed; but in the majority of cases they indicate some peculiarity in the conditions of the charter, either of the carrier or of the municipality in which the property of the carrier lies. In making use of the above summary, these small amounts may be safely considered as representing exceptions to the established rule of taxation in the states where they occur.

"No one will be misled by the assignment of the internal revenue taxes by states. These amounts are of course paid to the federal government, and they are classified by states merely to localize the transactions which gave rise to the payment.

The amount of taxes paid 'on property owned, not used in operation,' etc., should perhaps be charged against the investment of the railway corporations and not against the business they carry on as common carriers. The amount of taxes on this class of property during the year covered by this report was \$1,379,054. The general fact to be read from the figures here presented is, that ad valorem taxation instead of specific taxation is still the rule in the American system of taxing railways, and that in the application of this rule real and personal property rather than the valuation of stocks and bonds is made the basis for computation. Thus, the amount of taxes paid during the year covered by this report on real and personal property was \$34,574,807, as against \$5,034,495 computed on the basis of the value of stocks or bonds, or on valuation based on earnings, dividends, or any other results of operation. Perhaps no proposition relative to taxation has been more strongly urged by publicists than the substitution of a tax on gross or net revenue, or on dividends for a tax on valuation. The extent to which this has become effective is shown by the fact that of the aggregate of taxes paid, the earning taxes amount to only \$6,920,402."

THE SYSTEMS IN THE UNITED STATES.

The methods and combinations of methods of taxing operated railroad property now in force in the several states are strikingly exhibited in the last table. The general classification of ad valorem taxation of real and personal property in the first column and upon the valuation of stocks or bonds,

earnings and other results of operation in the second column, does not disclose the various provisions of law which produce the result given in the table.

It appears that the ad valorem tax on the value of the whole or some part of the real and personal property of railroads prevails in 42 states, 5 territories, and the District of Columbia. Such tax is the principal source of revenue in 33 states, and practically the whole in 22 states. The specific tax on gross or net earnings, revenue or dividends in connection with the property tax exists in 12 states, exclusive of Michigan, Minnesota and Wisconsin. The amounts reported for Alabama, Georgia, New Hampshire and Virginia in this column are too small for consideration.

The sum of \$818,010 in the state of Illinois is the license fee paid by the Illinois Central Railroad company. The charter of that company was granted in 1851 or 1852, and reserved to the state of Illinois in lieu of taxes, seven per cent. of the gross receipts of the 706 miles of railroad originally built thereunder. The remaining railroads of that state are locally assessed on parts of their real and personal property and the railroad track (excluding side or second track, etc.), rolling stock and franchises, are assessed by a state board and the value distributed to taxing districts in proportion to mileage.

The specific tax on earnings constitute the largest part of the revenue in Maine and Maryland, and is the exclusive tax in Michigan, Minnesota, Vermont and Wisconsin on property employed in railroad operation.

Michigan, by constitutional amendment and legislation in accordance therewith, has abolished the license fee and adopted the ad valorem method for the assessment of property by a state board. At the present time the states of Maine, Minnesota, Vermont and Wisconsin are the only states adhering chiefly to the license fee as the principal tax on railroads.

The entry of certain amounts for taxes apparently levied on the value of property in Michigan, Minnesota and Wisconsin is undoubtedly due to the failure on the part of the railways to properly classify or separate the taxes in reporting to the Interstate Commerce Commission. The small amounts entered

for these states on property owned but not operated are not sufficient to cover the tax on the land grant of the railroads in the three states named, and indicate that a large portion of the tax in the first column should be transferred to the column of property owned, but not operated.

The placing of nearly all the states in the column of the ad valorem taxation does not mean that they use the old methods of local valuation nor prove want of development towards efficiency and uniformity in railroad taxation. A close analysis will demonstrate the general tendency of enlarging and strengthening the powers of central boards to value property, although we find that numerous and variant methods exist. The trend of modern legislation towards better methods is clearly and unmistakably shown.

The general property tax was very well suited to the conditions existing when corporations were nearly all of a local character as they were before the civil war. But the consolidation of local companies into trunk lines commencing soon after the war demonstrated that local administration was poorly adapted to cope with the changed conditions.

The departure from the old plan of assessment by valuation is not to be attributed to a change of attitude on the question of the taxation of property on the uniform basis of value with that of individuals, but to a transfer of the power to boards possessing state jurisdiction. The trend is in the direction of creating new administrative methods, adapted to and capable of determining the value of property of transportation companies with greater certainty and accuracy.

The result of the development has been the establishment of methods for railroad taxation radically different in operation and administration from those employed in the taxation of individuals and most other corporations. There is a distinct tendency towards centralization in railroad tax administrative machinery. The system most generally used is one which vests in state boards or officers the duty of valuing railroad property for taxation with broad powers to require reports, examine books, investigate and obtain information necessary for the determination of such value. The property tax principle is the

basis of the system in most states. The mode of procedure may vary in detail as where the entire property is valued or only a part such as the franchises, after deducting the real estate, rolling stock, etc., but in the main provisions they are essentially the same. The outline of the property tax as administered by state boards or officers is thus stated by Roswell C. McCrea in his report prepared under the direction of the Industrial Commission:

"This [the property tax] is the most common method of taxing transportation companies. In a few cases it is subject to purely local administration, but in most of the states valuations are made by state boards or officials. The workings of the latter method, though not in detail identical in any two of the states, coincide in some such general characteristics as the following: Certain designated officials of the various railroad companies are required to return sworn statements or schedules to state officials, setting forth in detail the length of line with all its tracks, and the proportion thereof in each tax district of the state, all personal property of every kind, all rolling stock, and often a detailed description of the construction of track and roadbed, the time spent in that construction, and the value of materials employed. There is also required a full statement of all real estate owned or used in each tax district; of all stations, houses or other buildings, and all equipment connected therewith; of the amount of capital stock, including its market value, or if there is no market value, the actual value of the shares, in some cases including a list of the shareholders and their places of residence, in addition to a statement of the total amount of all indebtedness, generally excluding current expenses. In some states the schedule must contain a statement of the respective companies' entire gross receipts, entire operating expenses, and entire net earnings, with a supplementary statement of the amount of such receipts, expenses, and earnings resulting from business done exclusively within the state. Neglect to furnish these sworn schedules is generally attended with heavy penalties, and false statements are punishable as perjury. Furthermore, in many cases, the state officials, to whom these reports are made, are empowered to require additional statements when necessary, and even, as provided in a number of states, to summon witnesses, to examine them under oath, and to compel the production of corporation books and papers. The work of assessment on the basis of these returns is generally intrusted to a specially consti-

tuted state board, by whom the valuation is determined and in most cases apportioned among the local taxing districts for the computation and collection of the tax. Railroad real estate not directly employed in traffic operations is generally both assessed and taxed by local officials.

The chief advantages of this general method may be summed up as follows: The duties of assessment are in the main performed by experienced and competent officials, thus minimizing the liability to unequal assessments, as between localities and between companies, under a property tax; the popular demand that corporations be taxed upon the same basis as individuals is realized; the method is in accord with both state and federal constitutional provisions, besides being both reasonably productive and constant in its yield from year to year."—9 *Industrial Rep.*, 1018.

The further statement should be made that after assessment is made by the state board, the value is generally distributed to the local taxing districts in proportion to the mileage in each and taxed at the local rate.

The assessing boards in assessing for the purposes of taxation a part of a railroad within a state and parts in adjoining states, are usually authorized to ascertain the value of the whole line as a single property and then determine the value of that part within the state upon a mileage basis. The validity of this principle of the apportionment of value has been affirmed by the courts.

THE WISCONSIN SYSTEM.

In the development of transportation facilities, Wisconsin by friendly legislation has followed the example of the eastern states in encouraging the construction and extension of railways in the state.

The first stage in this development in all sections of the country when new, sparsely settled and without capital for large enterprises, was to stimulate the building of railroads by the policy of subsidy, aids and exemptions from taxation, and also by the enactment of tax laws made to operate very leniently toward the railroads. The growth of railroads in Wisconsin has been promoted to a marked extent by liberal treatment in grant-

ing lands, and giving authority to local divisions to vote money to build railroads in different sections of the state.

The land grants of congress were on a magnificent scale. The extension of railway lines with the settlement of the country has naturally increased the value of their own lands, which have been sold at good prices to settlers. After the disposal of their holdings from time to time there still remain unsold many millions of acres, of which there are situated in this state over nine hundred and fifty thousand acres, of the value of \$5,000,000 or more. The total amount of local aid in money voted by towns, cities, villages and counties, and raised by taxation cannot be ascertained with accuracy at this late period. In 1872 the bonded debt incurred for railroad aid was \$5,470,954, which fails to represent the total sums paid for that purpose, and was practically a donation, as the stock of companies taken to comply with the law generally proved to be worthless or was wiped out by reorganization of the companies receiving the aid and issuing the stock. The generous contributions made before the ultimate success of railroad experiment was assured were of material assistance in placing the railroads of the state on a substantial basis.

The policy of the state during the early period was, as just indicated, to stimulate the investment of capital in railways by local aid rather than to restrict their growth by the imposition of taxes. When the railroads had passed the experimental stage and became firmly established as profitable enterprises, the state then endeavored to extend the system for their taxation to conform more nearly to the new conditions.

WISCONSIN LAW FOR RAILWAY TAXATION.

From the time the first railroads were built in the state up to 1854 railway property was assessed and taxed under the general laws administered by local officers in like manner and at the same rate as the property of individuals in the several districts where located. In that year railways and plank toll roads were taken out of the general property tax and in lieu thereof a specific tax imposed on their annual gross earnings.

The first legislative act to make the change was Chapter 74, laws of 1854, entitled, "An Act taxing Railroads and Plank Roads," which provided in section 1 that the several railroads and plank road companies should on or before January 10th in each year make a verified report to the state treasurer containing, among other things, "a just and true statement of the gross earnings of their respective roads for the preceding year."

Section 2 of the act was as follows:

"Sec. 2. It shall be the duty of the said railroad companies and plank road companies to pay or cause to be paid to the treasurer of the state for the use of the state, on or before the 10th day of January in each year, a sum equal to one per centum of the gross earnings of their respective roads so returned, which amount of tax shall take the place and be in full of all of the taxes of every name and kind upon said roads, or other property belonging to said companies, or the stock held by individuals therein, and it shall not be lawful to levy or assess thereupon any other or further assessment or tax for any purpose whatsoever; but when a railroad or plank road lies partly within this state and partly in another state or territory, the company shall pay such proportion of one per centum upon the gross earnings of the whole road so returned, as the length of that portion of the road within this state bears to the whole length of said road."

Chap. 22, laws of 1862, increased the license fee to 3 per cent. without classification of roads, and that rate continued until chapter 315, laws of 1874, fixed the rate at 4 per cent. on the gross earnings of all roads without regard to their gross earning per mile. Chapters 97 and 113, Laws of 1876, for the first time divided the roads into classes according to their annual gross earnings per mile and fixed the rate of license fee for each class.

Chapters 97 and 113, laws 1876, were embodied in section 1213, R. S. 1878, which reads as follows:

"The annual license fee for the operation of such railroads shall be as follows:

1. Four per centum of the gross earnings of all railroads except those operated on pile and pontoon, or pontoon bridges, whose gross earnings equal or exceed three thousand dollars per mile per annum of operated railroad,

2. Five dollars per mile of operated railroad of all railroads whose gross earnings exceed one thousand five hundred dollars per mile per annum, and are less than three thousand dollars per mile per annum of operated road, and in addition two per centum of their gross earnings in excess of fifteen hundred dollars per mile per annum.

3. Five dollars per mile of operated road by all companies whose gross earnings are less than fifteen hundred dollars per mile per annum.

4. Two per centum of the gross earnings of all railroads which are operated upon pile and pontoon, or pontoon bridges; which gross earnings shall be returned as to such parts thereof as are within the state."

PRESENT LICENSE FEE LAW.

This law was in force until amended by Chapter 182, laws 1897, dividing the roads into six classes instead of four, with specified rates for roads whose earnings exceed \$2,000 and were less than \$3,000 per mile, but did not raise the rate of four per cent. on the earnings of the roads in the first class. Chapter 182, laws 1897, became section 1213, stat. 1898, and reads as follows:

"Sec. 1213. The annual license fees for the operation of such railroads within the state shall be as follows:

1. Four per centum of the gross earnings of all railroads, except those operated on pile and pontoon or pontoon bridges, whose gross earnings equal or exceed three thousand dollars per mile per annum of operated road.

2. Three and one-half per centum of the gross earnings of all railroads, except those operated on pile and pontoon or pontoon bridges, whose gross earnings equal or exceed two thousand five hundred dollars and less than three thousand dollars per mile per annum of operated railroad.

3. Three per centum of the gross earnings of all railroads, except those operated on pile and pontoon or pontoon bridges, whose gross earnings equal or exceed two thousand dollars and are less than two thousand five hundred dollars per mile per annum of operated railroad.

4. Five dollars per mile of all operated railroads, except those operated on pile or pontoon bridges, whose gross earnings equal one thousand five hundred dollars per mile per annum and are less than two thousand dollars per mile per annum of operated

road, and in addition two and one-half per centum of their gross earnings in excess of one thousand five hundred dollars per mile per annum and under two thousand dollars per mile per annum.

5. Five dollars per mile of operated road by all companies whose gross earnings are less than fifteen hundred dollars per mile per annum.

6. Two per centum of the gross earnings of all railroads which are operated on pile and pontoon or pontoon bridges, which gross earnings shall be returned as to such parts thereof as are within the state.

One-half of the license fee shall be paid at the time the license so issues, and one-half on or before the tenth day of August in each year."

The taxation by special percentage on the gross earnings of railway corporations in lieu of other taxes has been in operation in the state for forty-eight years with some changes in the rate per cent. during the period. The rate of one per cent. on such earnings was continued in force from 1854 to 1862 when the license fee was increased to three per cent., continued at that rate until the increase to four per cent. in 1874, and the highest percentage imposed on roads in the acts of 1876, which divided them into classes according to annual gross earnings per mile.

The Act of 1897 establishing the rate of three and one-half per cent. on railroads whose earnings were over \$2,500 and less than \$3,000, and three per cent. on earnings over \$2,000 and less than \$2,500 per mile, did not materially increase the revenue to the state because the gross earnings of the principal roads then exceeded \$3,000 per mile, on which the license fee of four per cent. was paid. With the immaterial modifications just spoken of, the laws of the state for the classification of railways according to gross earnings per mile and the rate per cent. of such earnings payable to the state for a license to operate have remained practically unaltered since 1876.

The efficiency of the license fee to measure the proportion of taxes which the railways ought in justice to bear to render the same equal to the burden imposed on the general property of citizens, is a question of public interest which has been much discussed.

The frequent complaints that the railroads, under the system, are not paying their fair share of taxes, and the denial of

the corporations, fail to settle the controversy either way. The issue thus raised is one of grave public concern, materially affecting the welfare of the entire state. Its correct determination requires the most careful and painstaking investigation and the impartial consideration of the best evidence obtainable. It is one problem in taxation which should first be solved; for upon the settlement of the just and adequate taxation of quasi-public corporations, will depend the further advance of reforms in other features of the general property tax.

The conception of tax reform entertained by some idealists, that a perfect code can be devised to remedy all the defects of the present laws in this and other states and to remedy evils incident to their administration, is incapable of realization in a day or at one session of the legislature. This is due in part to industrial conditions and to the reluctance of the people to at once abandon the general property tax to which they are accustomed and substitute another with which they are unacquainted.

The general laws for the taxation of private property should be improved in many respects. The wisdom of completely revolutionizing the methods so long familiar to the people may be doubted. It seems probable that better progress and more permanent benefits are likely to attend an effort to build up and perfect the system, rather than by tearing it down. The constant study should, of course, be to discover and lop off the bad and impracticable features as rapidly as possible, and gradually perfect methods to secure more equitable distribution of the burdens of government between all classes.

A comprehensive survey of the methods of taxation now prevalent in the American states will disclose that they have crystallized into two main systems.

(1) The property tax levied according to valuation by local officers on the general mass of property owned by individuals and private corporations.

(2) The taxation of quasi-public corporations separately and on different principles of administration from individuals.

The division between these dual systems is not always well defined or clearly marked. In some states corporations of like

kind are treated as taxpayers of the

character will be found in both systems, and in others one class of corporations may fall into the first and another class into the second. But on the whole the division will roughly represent the tendency of modern legislation.

Defects are known to exist in the general property tax as well as in the methods employed to determine the proper taxation of corporations, and reforms may be proposed for one or both of the systems. The need of a remedy in one case may not be so urgent as in the other.

The experience of civilized nations teaches the truth that reform in finance and taxation is hedged about with many difficulties and opportunity rarely occurs for a complete change of system. The result is that the problems of greatest importance are first solved, and clearing the way to further reforms.

The testimony of Dr. E. R. A. Seligman before the Industrial Commission states the point clearly and his opinion is entitled to great weight:

"Q. The tax problem is one of the most difficult to solve equitably that the legislator meets, is it not?

A. Yes. As long as our legislators will realize the fact, which many are beginning to realize in the most advanced states, I am glad to say, in this country—as long as they realize that you have got to attack the problem piecemeal, and you cannot reform the thing all at once, the situation may be very much improved. When I say that you have got to attack the problem piecemeal, I mean that you have got to take one step forward at a time."

Again he says: ". If you look carefully at the progress in the reform of State taxation you will find that the one goal, the first step to be accomplished in the States, is the divorce between State revenues, and the local revenues, and we find in all our leading Commonwealths, like New York, Pennsylvania, Massachusetts, etc., where you have the fullest and most developed industrial conditions, a well marked tendency to derive state revenues in ever-increasing proportions from inheritances and corporations, with possibly a few other additions, gradually relegating the general property tax as such to the local divisions." 4 Ind. R., 598.

The taxation of corporations is of no less interest to this state than to the commonwealths mentioned by Professor Seligman, and to manifest a desire to gain knowledge from their experi-

ence and profit by their progress is no evidence that we propose to enter upon a course of legislation contrary to a good fiscal policy in state taxation or propose measures detrimental to the public welfare.

The honesty, intelligence and judgment of legislators may be relied upon to defeat all attempts to cast unequal burdens upon any interest or class of individuals. These are a solid guarantee against the danger of injustice taking the form of law where the consequences of the action are known and appreciated.

This spirit of equity at the foundation of legislation invites rather than precludes investigation, proceeds upon proof and passes judgment after hearing. The primary duty assigned to the commission is to investigate the tax system in this state, suggest improvements thereto, examine the laws of other states, and report the result for the assistance of the legislature.

Among the matters investigated and examined are the laws of this and other states governing the taxation of railroad property. The increase in mileage and the material growth of railroads since the license fee system was first adopted are a valid justification, if any is needed, for an inquiry into its underlying principles and its practical operation and tendency to secure the proportional share of taxes according to value relatively with the contributions exacted from the citizens on the value of their property.

THREE PRINCIPAL SYSTEMS OF RAILWAY TAXATION.

The inquiry naturally calls first for the examination of the principal systems now in operation, which with our own may be logically grouped into three general methods as follows:

(1) The specific tax in the form of a license fee at a given per cent. on gross earnings fixed by a law of the state, with provisions vesting in state officers or a board power to ascertain and determine the true amount of such earnings on which the tax should be paid.

(2) The specific tax in the form of a license fee at a given per cent. on the net earnings, fixed by law, with provisions authorizing state officers or a board to ascertain and determine the

true amount of such earnings to which the percentage shall be applied.

(3) The assessment of the entire property of railroads by a state board, with requisite power to obtain reports from the companies, to investigate, take evidence, and secure information essential to form a correct judgment of the value of each railroad. To secure equitable results under the third method, the board should be empowered to determine the value of all taxable property in the state for the apportionment and levy of the state tax so that railroad property shall be assessed on the same basis.

The first method now exists in this state. The laws fixing the percentage on gross earnings and establishing the mode of administration have been stated.

The specific tax usually called a license fee is imposed on the annual gross earnings per mile of operated railroad, which for convenience may be restated as follows:

1. Roads earning \$3,000 per mile or over, 4 per cent.
2. Roads earning \$2,500 and less than \$3,000 per mile, $3\frac{1}{2}$ per cent.
3. Roads earning \$2,000 and less than \$2,500 per mile, 3 per cent.
4. Roads earning \$1,500 and less than \$2,000 per mile, \$5.00 per mile and on earnings in excess of \$1,500, $2\frac{1}{2}$ per cent.
5. Roads operated on pile and pontoon, on earnings, 2 per cent.
6. Roads earning less than \$1,500 per mile, \$5.00 per mile.

The operating railroads are required on or before February 10th in each year to return a sworn statement to the state treasurer as to the amount of gross earnings for the preceding calendar year, and the gross earnings per mile during such year. Sec. 1211, Stat. 1898.

On returning such statement to the treasurer application for license to operate is made and on payment of one-half of the license fee the treasurer issues a license to operate for one year from the preceding first day of January. Sec. 1212, Stat. 1898.

The remaining one-half of the license fee is payable on the 10th day of August. Sec. 1213, Stat. 1898.

A company neglecting to obtain the license or to pay the license fee shall forfeit to the state \$10,000 and such neglect shall also be cause of forfeiture of its rights, privileges and franchises. Sec. 1214, Stat. 1898.

The license fee on gross earnings as a system of railroad taxation has received the attention of legal and economic writers, and the discussion of its principles and operation has taken a wide range.

This commission in 1900 appointed a hearing on railroad taxation at which counsel for several railways operating in the state appeared, and were heard upon oral and printed arguments.

A further hearing was held by the Senate and Assembly committees on the assessment and collection of taxes at the legislative session of 1901 on two bills drafted by the commission, one to re-classify and increase the percentage on gross earnings, and the second to abolish the license fee method and provide for the ad valorem taxation by a state board.

The attorneys for the railroad companies appeared and were heard in opposition to the bills; the bills failed of passage, being defeated upon votes taken in the assembly.

The unmistakable importance of corporate taxation at this time, renders the adoption of a rational, harmonious and efficient system a prime necessity. The wealth of the country in personalty consists largely of investments in corporate securities, stocks and bonds in railroad and other corporations which are not and cannot be reached for taxation to the holders by the severest and most inquisitorial laws. The taxation of corporations as legal entities is the only recourse, and therefore the method to be employed is of considerable significance.

The highest authorities on economic and public finance are of the opinion that the problem of just taxation in this country is very largely the problem of corporate taxation.

We may, therefore, ask, does the license fee meet the requirements of a modern system of taxation, is it just and equal between the corporations, or between the corporations and the owners of real estate and personalty, and is it based on sound principles.

The license fee on gross earnings to be permanently retained should have the unqualified approval of economic science as a just measure of ability to pay, and should also satisfy the legal conception of uniformity and equality which is the fundamental idea of constitutional government.

ECONOMIC VIEW.

The gross earnings do not always bear a definite and certain relation to the real ability to pay taxes in that no account is taken of the expenses of operation.

The difference between railroads in cost of construction, or in operating expenses, may not be so great in this state as in other parts of the country less uniform in topography. Serious differences in operating expenses, however, do appear in the reports of the companies in this state, due either to actual conditions or to the general policy of the managers.

The chief authority usually referred to in defense of the license fee is the report of the Railroad Tax commission and the following sentence is frequently quoted in favor of the system: "Finally the committee will say that of all the systems of taxation examined by them, those in use in England, the countries of Europe, and in Michigan and Wisconsin, among the states of the union, seems to them the most intelligent and in conformity with correct principles. The Michigan and Wisconsin systems would seem to be especially commendable. The systems in use in many of the older states, on the contrary, and notably in the states of Massachusetts, New York, Pennsylvania and Ohio, are very cumbersome and present hardly any features worthy of study or imitation."

This paragraph is preceded by the following statement in the same report. "The apportionment of a levy on gross receipts among the several states through which a single railroad may run is, in this country, undoubtedly attended with much difficulty, and the committee have given careful consideration to the subject. The conclusion at which they have arrived is that it should be made a matter of mutual understanding among the states, and that as the levies must be independent they should be apportioned according to mileage."

The investigation and report of the commission was made in 1879, since which time much notable improvement is shown in the systems studied by them. The system in Massachusetts, judging from the result of corporate taxation in that state as shown in a prior table, is now very efficient and satisfactory.

The economists who in the last few years have given the subject of public finance and taxation exhaustive study unite in criticising the tax on gross earnings as faulty in principle and unequal between the corporations. Dr. E. R. A. Seligman referring to the report of the Railroad Tax Commission on the gross earnings tax says:

"This tax was the one recommended by the railroad tax commission. It possesses many undeniable advantages. It is certain, easily ascertained and not susceptible of evasion. But it has one fatal defect: it is not proportional to the real earning capacity, it takes no account of the original cost, nor does it pay any regard to the current expenses which may be necessary and just. For example, when the cost of building a railroad is great, its gross earnings must be correspondingly large in order to enable its owners to realize any fair return on the investment. A tax on gross earnings does not recognize this distinction. It discriminates unfairly between companies, and makes a line built at great expense and with great risk pay a penalty for the enterprise of its constructors. Again, a gross earnings tax takes no account of expenses. Of two corporations which have equally large gross receipts, one may be in a naturally disadvantageous position which unduly increases the cost of operation or management. Clearly its ability to pay is not so great as that of its rival in possession of natural advantages. In short, the gross receipts tax is like the old tithe, the most primitive of all land taxes."—*Essays in Taxation*, 196.

Professor Henry C. Adams, of the Michigan University, and Statistician of the Interstate Commerce Commission, expressed the same opinion of the tax on gross earnings:

"The first alternative presented to a financier lies between a gross or net item as basis of assessment. If, however, one can confine himself purely to economic considerations, the decision is not difficult. A tax on the gross earnings of a corporation cannot be satisfactory because it takes no account of the operating expenses incident to the securing of such earnings. . . . It is evident, therefore, that a just assess-

ment as between corporations must take into account expenses as well as earnings."

The recommendations in the report of this commission to the legislature of 1901 for a continuance of the license fee was conditional on a test under laws that would make the return of revenue more nearly equal to what would be collected from the same properties on the ad valorem basis. No argument was advanced in the report in support of the system, but on the other hand several grave defects were pointed out and commented upon. It was said in the report: "A license fee on gross earnings is a rough, but easy way of railroad taxation, and will in time be superseded by a more scientific method."

The advantage accruing to the railroads on a license fee basis over other tax payers was also spoken of as follows:

"The license fee is beneficial to the railroads, but may be detrimental to the interests of the owners of real estate and personal property in that it is a tax on the receipts from traffic. In prosperous years with a large traffic the gross earnings will be correspondingly large, as will the tax. In times of panic and adversity there will be less traffic with smaller earnings. In good season the roads are in condition to pay taxes in proportion to their earnings, but with the falling off in traffic in bad years the diminished earnings are followed by relative shrinkage in taxes. The license tax rises and falls with the business of the companies dependent upon the financial conditions of the country, good or poor crops; the demand for commodities, etc. No other property enjoys the privilege of a scale of taxation so perfectly adjustable to earnings." 1901 Rep., 87.

LEGALITY OF THE LICENSE TAX.

The validity of the license fee system has been sustained by the supreme court of the state in several cases, in which it is decided that the law for the special taxation of railroads is within the legislative power.

The act of 1854 soon after its passage was challenged as in violation of Section 1, Article VIII of the Constitution providing that: "The rule of taxation shall be uniform and taxes shall be levied on such property as the legislature shall prescribe."

The great question of the power of the legislature to exempt the property of railroads from taxation upon a uniform value and a uniform rate alike with other property within the state and, in lieu of taxes levied under such rule of equality, to impose a license fee on earnings, first arose in an action in Waukesha county in 1855 (*M. & M. R. R. Co. v. Suprs. Waukesha Co.*, 9 Wis., 449) to restrain the collection of the tax assessed and levied upon the right of way and track of a railroad company; and in that case the law was sustained without a written opinion being filed.

The celebrated case of *Knowlton v. Supervisors of Rock County*, 9 Wis., 410,—heard and decided in 1859—involved the constitutionality of a law amending the charter of the city of Janesville, limiting the rate of taxation on agricultural lands within the territory of the city to one-half of one per cent.; whereas the rate was limited to one per cent. on other property within the city. The point for decision was the power of the legislature to provide for the taxation of one kind of property at one per cent. of the value and another kind at one-half of one per cent. of the value in the same district. It was held by a majority of the court that the law violated the section of the constitution above referred to.

Chief Justice Dixon in the course of the opinion said:

“The theory of our government is, that socially and politically all are equal, and that special or exclusive, social or political privileges or immunities, cannot be granted, and ought not to be enjoyed. In consonance with this theory, that of taxation, whether as the subject of legislative action, judicial inquiry, or constitutional law, has always been, that the burdens of supporting the government should be borne equally by all the individuals composing it, in proportion to the benefits conferred, and that the tax payer receives for the money exacted, a just compensation by the protection afforded his person and property by the proper application of the tax. This principle of justice and equality which requires that each person should contribute towards the public expenses his proportionate share, according to the advantages which he receives, lies at the foundation of our political system; and, in our opinion, it was to give to it a greater permanency and force, and to secure its more rigid observance, that the section above quoted was introduced into the constitution. . . . It follows

that when property is the object of taxation, it should all alike, in proportion to its value, contribute towards paying the expense of such benefits and protection. These are plain and obvious propositions of equity and justice, sustained as we believe by the very letter and spirit of the constitution. Its mandate, it is true, is very brief, but long enough for all practical purposes; long enough to embrace within it clearly and concisely the doctrine which the framers intended to establish, viz., that of equality. 'The rule of taxation shall be uniform,' that is to say, the course or mode of proceeding in levying or laying taxes shall be uniform; it shall in all cases be alike. The act of laying a tax on property consists of several distinct steps, such as the assessment or fixing of its value, the establishing of the rate, etc.; and in order to have the rule or course of proceeding uniform, each step taken must be uniform. The valuation must be uniform, the rate must be uniform. Thus uniformity in such a proceeding becomes equality; and there can be no uniform rule which is not at the same time an equal rule, operating alike upon all the taxable property throughout the territorial limits of the state, municipality or local subdivision of the government, within and for which the tax is to be raised."

In 1860 in the case of Attorney General v. Plank Road Company, 11 Wis., 35, the validity of the license act of 1854 was directly raised for adjudication, and the decision was adverse to its validity, which overruled the doctrine of *M. & M. R. R. Co. v. Supervisors of Waukesha County*. Judge Paine, in the opinion of the majority of the court, after arguing that the rule of taxation is a general rule and is applicable to all taxable property, uttered words of warning of the danger attending any attempt at departure from the rule of uniformity. He says:

"The object of the constitution was to produce justice and equality in the burden of taxation, as between property taxable at all. The evil to be prevented was, discrimination in favor of one kind of property and against others. This evil experience had shown was likely to arise. It was common for the owners of particular kinds of property to combine to obtain special privileges for their class. It was not common for such discrimination to be made in favor of a part of a particular class against the rest of the same class. The construction I am contending against, would prevent only the latter kind of discrimination which was so little likely to happen that it could

scarcely be deemed to have been the evil aimed at by the constitution, while it would leave the other which was so much more likely to happen, and to be productive of much greater injustice, entirely unrestrained. Our construction, or rather, the plain language of the constitution without construction, secured as near as may be, justice and equality in the burdens of taxation. The other leaves room for the greatest injustice and inequality, and seems to consider the constitutional provision as designed only to secure a sort of ornamental uniformity in the parts of an unequal rule, without affording any substantial benefit or protection."

Judge Cole in dissenting, adhered to the former adjudicated Waukesha county case, and to the views expressed by him in *Knowlton v. Rock County* upon the provision of the constitution under consideration to the effect that the legislature in imposing taxes may discriminate between different classes of property, "and that the principle of uniformity will be preserved so long as the same class of property is subject to the same rule of taxation throughout the district for which the tax is raised."

But with two decisions, one against the classification in taxation of private property and the other on the same line pronouncing the license fee to be in plain violation of the constitutional rule of uniformity, the controversy was not ended and the contention in support of the law was renewed in 1862 in the case of *Kneeland v. Milwaukee*, 15 Wis., 459. The case was whether the omission by the assessors of the city of Milwaukee to insert in the tax lists the large amount of railroad property there in pursuance of the act of 1854 (amended by Chap. 173, 1860), prescribing a license fee in lieu of taxes on property, did not invalidate the taxes imposed on other property. If the law exempting the railroad property was valid, the omission was right, but if not, the omission was wrong, and the owners of such other property entitled to relief from the collection of taxes imposed upon them.

Mr. Justice Paine in his opinion re-affirms the principles of *Attorney General v. Plank Road Company*, 11 Wis., 35, that a law which attempts to make railroads taxable by a different rule from that applicable to the general class of property is

unconstitutional. The ground for holding the tax on plaintiff's property illegal for the omission of railroad property is stated with the cases supporting it. The court was strongly urged to overrule Attorney General v. Plank Road Company, which case was made up by the parties to test how far the principles announced in Knowlton v. Rock County, 9 Wis., 410, would be applied to the validity of the law taxing railroads, and, on the maxim of *stare decisis*, to return to the earliest case holding the law constitutional, to avoid unsettling the taxes of the state.

Mr. Justice Paine, after saying: "I have come to the conclusion that the consequences of going backward may, after all, be more disastrous than going forward," proceeds to state his position with great force:

"But if we go backward, we must say that particular classes of property may be taxed at less rates than others, and that the legislature may make whatever discrimination they please in the rates of taxation, provided only that each class is taxed alike. The evils and injustice to be apprehended from this construction were sufficiently pointed out in the former opinions upon this question. And our country is now passing through an ordeal in which, I doubt not, those evils would be cruelly illustrated under that construction, in responding to the immense amount of treasure demanded from the loyal states to sustain the government in its mortal struggle. The small property owners who constitute the great mass of the people, usually pay their taxes without question, and seldom combine for the purpose of procuring any special privileges or exemptions. But capital, always keen-eyed and vigilant, always equally ready to grasp at the profit and shrink from the burden,—often able to bring to bear powerful and dangerous combinations of influence upon legislative bodies,—will be sure to take advantage of such a construction of the constitution, and to shift upon others the burdens which itself ought to bear. True, such injustice may be borne for one year, or even for many years, without fully developing its fatal effects. But, as the coral insects though working almost imperceptibly, do in process of time erect islands and continents in the seas, so by an opposite process, unjust taxation, with a slow and steady destruction, eventually wastes the victims on whom it is inflicted. It was to guard against this that our constitution was framed as it is. And believing as I do, that a return to a con-

struction which virtually annuls its entire efficiency for that purpose, would be more disastrous than any inconvenience that would result from enforcing the obvious meaning of the instrument, I feel bound, for one, to stand upon our last decision."

The judgment entered held the law invalid. On a motion for a re-hearing, which was granted, the views of Chief Justice Dixon and Justice Paine remained unchanged as to the unconstitutionality of the law, but they were convinced that the doctrine of standing by decided cases so as not to disturb settled conditions applied with peculiar and irresistible force; that relying on the decision in the Waukesha county case the finances of the state had been adjusted and carried on, and that to adhere to the last decision would be disastrous to immense interests and the consequences beyond calculation. The fact that the taxes of the entire state for several years would be annulled, the proceedings depending upon them overthrown, and the finances of the state and local subdivisions thrown into confusion, impelled the judges, under these circumstances, to give great force to the maxim of *stare decisis*, which led to overruling Attorney General v. Plank Road Company, and a return to the decision first announced in the Waukesha county case. The Waukesha county case has also been approved in Wisconsin Central Railway Company v. Taylor County, 52 Wis., 37, in which the whole question is discussed at length.

Reference has not been made to the foregoing chapter of judicial history for the purpose of questioning in the slightest degree the construction of the taxation clause of the constitution finally adopted by the judgment of the court. It is definitely settled that legislative power exists to divide property into classes and tax each class on a different basis, provided the classification is reasonable and the tax is not discriminatory between those in the same class.

DISCRIMINATION BETWEEN CLASSES OF PROPERTY.

While the court has declared that the legislative power is conferred to take railroad property out of the general system and provide for its special taxation by a different rule, it is significant that in none of the utterances in the famous con-

troversy is the exercise of the power commended as just or wise. The extracts from the opinions directed against this grant of power may be used with equal force against the exercise of the power although permitted by the constitution. The legislator while unrestrained by the fundamental law of the state in enacting taxation statutes will be guided by the rules of political justice, which enter so largely into the theory of republican government and underlie and control all the relations of property between the state and its citizens.

Equality of contribution to the public burdens is essential to equality of social and political right. These principles whether written in constitutions or omitted, address the conscience of legislators when considering matters of finance and taxation.

The safety of all interests rests on the principle of uniformity between all classes of property. There must be equality between the classes as well as between the property in the same class, otherwise the opportunity for injustice and oppression would be unrestrained.

The broad doctrine that one kind of property may be so different in character from the general mass of property that it may be set apart for a special method of taxation without uniformity of value or equality of rate as between such classes and the whole taxable property of the state, is fraught with extreme danger. Let it be conceded that railroad property as a class may be taxed at two per cent. on gross earnings, which is, say, equivalent to the rate of one per cent. on actual value, while the other property is taxed at the rate of two per cent. on the actual value, the converse of the proposition must be true that railroads may be compelled by legislation to pay ten per cent. on gross earnings, equivalent to a rate of five per cent. of value, and the remaining property of the state escape with a rate of two and one-half per cent. on its value. Equivalency in law or fact is not essential to such a system. No attention to uniformity in valuation or equality of rate is necessary, for in the exercise of the sovereign power of taxation the limit is confined only to the amount needed for the legitimate wants of the state and the burdens may be distributed among

the classes without respect to the relative portions exacted from each. One may be partially exempted by a low rate, and the other of the same value taxed at a higher rate so long as equality is preserved within each class.

The difference in industrial conditions or character of property or income therefrom may demand a different administration to ascertain the elements of value for the levy of a tax, but are there rational grounds for classification of property which merely result in changing the rate of taxation? The elements entering into and the process of measuring values must vary from lands to highly complex industrial enterprises, but when the value is determined by appropriate methods, the rate shall be uniformly applied to impose equal public burdens on all.

If the fourteenth amendment guaranteeing to persons the "equal protection of the law" prohibits unjust discrimination between those in a class, does it likewise prohibit discrimination between the classes, and inhibit laws which tax property in one class at one rate, and the property in the second class at another rate, where the real distinction is in the name or the character of the use made of the property.

Unless the discrimination between the classes is unlawful no restraint upon legislative power to tax property in one class at a higher rate than in another exists, but if the contrary doctrine is the law, have we not again united with the rule of uniformity, the uniformity of subject and rate of taxation?

The power to exempt from taxation is unquestioned, and in the proper cases exemptions are both desirable and beneficial to all interests. Doubts, however, may arise upon the right or expediency of partial exemption under the guise of taxation.

CONSTITUTIONAL AMENDMENT.

If it is within the power of the legislature to enact laws which in terms or in the necessary result of their operation discriminate between classes of property, it is suggested that an amendment to the constitution may be necessary to extend the rule of uniformity to uniformity of subjects of taxation, or in case

classification is to continue, the same should be carefully defined and limited in a constitutional provision.

VALUATION OF RAILWAYS BY A STATE BOARD.

The property of railroad companies should be valued by a state board composed of appointive officers of requisite knowledge and approved integrity with power to secure the evidence necessary to a correct judgment of the value of each railroad operated within the state. The law constituting the board and prescribing its duties should be carefully framed with proper limitations on the power of the board, but not attempting to specify too minutely the method of arriving at values so as to leave no room for the exercise of judgment. All the elements going to make up values cannot be definitely embraced in a written law without so circumscribing the powers of the board as to make their duties largely clerical.

The board should also be empowered to value the property of the state for the levy of the state tax, and be required to assess the general property of the state at the market value. This should be obligatory to the end that all taxable property may be brought to an equal standard of valuation with that of railroads or other property assessed by the board.

The railways should be granted an opportunity not only to be heard on the assessment of their property but also of all property of the state so that entire equality may be secured.

The right to create boards with powers above stated has been sustained by the courts in several of the states. The legislature of this state possesses full power to establish boards for equalization or valuation of property and to fix the taxing districts in which their jurisdiction may be exercised. A statute of this character would violate none of the provisions of the constitution. The extent of the power of the legislature in this respect was considered in *State ex rel. Ellis v. Thorne*, 112 Wis., 81, in which Mr. Justice Marshall in writing the opinion says:

"It is considered that counsel's contention cannot be sustained unless we overrule *State ex rel. Brown Co. v. Myers*, 52 Wis., 628. True, as claimed by counsel, the law was not there challenged as unconstitutional on the precise ground now presented

for consideration, but the principle upon which the decision turned covers the point now made as clearly as the one that invoked the judicial declaration thereof. The decision is to the effect that the legislature has plenary power over the whole subject of taxation within constitutional limitations; that it may select the objects of taxation, determine the amount of taxes that shall be levied and the particular purpose or purposes the same shall be devoted to, the manner in which property shall be valued for taxation; that it may establish the necessary taxing districts and provide for the selection of all the public agencies for the collection, return, and expenditure of the public revenues. The law, said the court, 'does not seem open to any constitutional objection; for this whole matter is within the control of the legislature, which, doubtless, might abolish the present system and create a state board for the assessment and equalization of the value of the taxable property of the state. At all events, such a law would be within the constitutional power of the legislature.' No reason is perceived why the principle thus broadly stated should be restricted in any degree. From time immemorial the taxing power has been regarded as an incident of sovereignty, and that branch of the government upon which is conferred the power to make law has been supposed to possess, by implication, authority to tax persons and property for public purposes, and to do all things necessary to fully exercise such power. Said Mr. Justice Field, in *Meriwether v. Garrett*, 102 U. S., 472, 518: 'The power to levy taxes is one which belongs exclusively to the legislative department, and from that it necessarily follows that the regulation and control of all the agencies by which taxes are collected must belong to it.' This court said in *Knowlton v. Rock Co.*, 9 Wis., 410, 418:

'Taxation is the act of laying a tax or imposing these burdens or charges upon persons or property within the state. It is the process or means by which the taxing power is exercised. The power of taxation is one of the essential attributes of sovereignty, and is inherent in and necessary to the very existence of every government. In republics it is vested in the legislature, and in the absence of any constitutional restrictions, may be exercised by them, both as to objects and modes, to any extent which they may deem proper.'

"Any method of raising the public revenues, by the exercise of the taxing power in the taxation of property, necessarily includes the creation of taxing districts, the valuation of property in such districts, the equalization of values as between the districts, and the apportionment of the whole amount of the pub-

lie burden between such districts upon the basis of such equalization. The law in question, as said in *State ex rel. Brown Co. v. Myers*, 52 Wis., 628, is in furtherance of justice and fairness in doing one of the things essential to the proper exercise of the taxing power,—the equalization of values.”

The attorney general should be authorized to appear on the hearing to represent and defend the interests of the state.

The right of action should be accorded to the companies to correct any fraud or mistake in the assessment of their property by the board.

THE VALUE OF RAILWAYS IN WISCONSIN.

The tax commission is not vested with authority to appraise or value railroad property like a state board of assessment for the actual levy of taxes thereon, and does not assume to act in that capacity. Neither does it claim that the statistics here presented would fix the value of each road with the same certainty or exactness as the determination by a state board after full proof and hearing of the companies in respect to the assessment of their property.

The commissioners in what is here said do not intend to preclude investigation or proof on hearings in case they are authorized to assess railroad property for taxation nor to pre-judge what may be offered in the way of proof on such hearings. The hearing of evidence and arguments upon it should precede judgment in all cases.

The commission is, however, required to investigate and “ascertain the relative burdens borne by all kinds of property in the state and report the results to the legislature.” In compliance with this provision investigation has been made of the value of the general property in the state, the value of railroad property and the relative burdens borne by each.

The examination is essential from two points of view:

First. To determine whether in effect and operation the license fee system is defective and ought to be abandoned for the ad valorem method of taxation.

Second. To determine whether, if the license fee system is

to be continued, there should be an increase in the percentage of gross earnings.

The mode of ascertaining the value of the taxable property of individuals has heretofore been stated.

§ 1. _____

ELEMENTS OF VALUE.

The magnitude of railroad interests renders the valuation of such property more difficult than the appraisement of property simpler in character and use. There are, however, some rules approved by courts, economists and financiers as the basis for the valuation of railroad property and some or all of them may be applied to ascertain the value of such property in the state.

The principal elements usually examined and considered in the endeavor to ascertain the value of railroad property are:

Cost of road and equipment.

Par value of capital stock and funded debt.

Franchises.

Gross and net earnings.

Market value of capital stock and funded debt.

There are subdivisions of these items, but on the whole the above division will comprise the chief subjects for consideration in estimating the value of railroad properties.

The items are not wholly independent of each other. Nor are they all entitled to the same weight as evidence of value. The commission is not committed to any particular theory in arriving at value and does not proceed on the assumption that the market value of stocks and bonds is the absolute criterion of value. The market value is evidence to be considered with other items in forming judgment of the value of the property of railways.

The earning power is a very important element for consideration for it is the financial rule in the markets of this country and all over the world that the worth of property is determined by what it will produce in income. If the permanency of the income is assured from past results in operation the risk of investment is less and the value more stable. The earnings in the opinion of financiers is the final test of the value of corporate securities, and the estimate of the earning capacity of railroads

formed by such men and acted upon in buying and selling of the securities in the market, generally establishes the market price.

The cost of the physical property,—tracks, yards, terminals, buildings, engines, cars, etc.—does not comprise the entire value of a property. There must be added the franchises, the possession of traffic, competitive and non-competitive, and the extent and vitality of an established transportation business. These constituent parts of railway property and corporate organization with the earning capacity enter into the problem of forming an estimate of the value of stocks and bonds for investment or in establishing market values.

Market Value.

The weight to be given the market value of corporate securities as evidence in measuring the value of corporate property has been passed upon by the courts and their opinions are entitled to respectful attention and careful examination. The rule of law applied to the evidence of market value does not exclude other proof in the assessment by a state board nor control the action of the legislature in passing taxation statutes. The opinion of courts, however, may be looked into in the consideration of statutes of this character, and for the principles upon which they rest. A brief reference to a few of the cases will suffice for this purpose.

The revenue laws of Illinois for the assessment of property and franchises of corporations provide:

“The capital stock of all companies and associations now or hereafter created under the laws of this state shall be so valued by the state board of equalization as to ascertain and determine, respectively, the fair cash value of such capital stock, including the franchises over and above the assessed value of the tangible property of such company or association. Said board shall adopt such rules and principles for ascertaining the fair cash value of such capital stock, as to it may seem equitable and just.”

The rule adopted by the board is as follows:

“The market or fair cash value of the shares of capital stock and the market or fair cash value of the debt (excluding from such debt, the indebtedness for current expenses) shall be

combined or added together and the aggregate so ascertained shall be taken and held to be the fair cash value of the capital stock including the franchises, respectively, of such companies and associations."

The controversy over the validity of this system of assessment was passed upon by the Supreme Court of the United States in *States Railroad Tax Cases*, 92 U. S., 575. The court in speaking of the law say:

"The statute of Illinois, and the rule adopted by the board of equalization, under the power conferred by the clause we have just recited, may not be the wisest mode of doing complete justice in this difficult matter; but we confess we have, on the whole, seen no scheme which is better adapted to effect the purpose, so far as railroad corporations are concerned, of taxing at once all their property, and of making the tax just and equal in its relation to other taxable property of the State."

In speaking of the market value of securities as criteria of the value of property the court say:

"It is, therefore, obvious that, when you have ascertained the current cash value of the whole funded debt, and the current cash value of the entire number of shares, you have, by the action of those who above all others can best estimate it, ascertained the true value of the road, all its property, its capital stock, and its franchises; for these are all represented by the value of its bonded debt and of the shares of its capital stock."

The Supreme Court of Illinois in the *State Board of Equalization v. People*, 191 Ill., 528, decided in 1901, involving similar points of the law, quote the above extracts with approval and add:

"The method thus pointed out of obtaining the cash value of the capital stock including franchises of corporations for the purpose of taxation, has been in force in this state for many years, and has been approved by the courts, both state and national, and was a proper rule for the board to follow in assessing the capital stock including franchises of corporations for the purpose of taxation."

The court in *Railroad v. Backus*, 154 U. S., 429, cite the extract from *State Railroad Tax Cases*, supra, and reaffirm the principle.

A law of the state of Ohio for the taxation of express companies by a similar method came before the Supreme Court in *Adams Express Company v. Ohio*, 165 U. S., 185, in which the validity of the law was sustained. In stating the grounds for the decision the court said:

"Now, it is a cardinal rule, which should never be forgotten, that whatever property is worth for the purposes of income and sale it is also worth for purposes of taxation. Suppose such a bridge were entirely within the territorial limits of a state, and it appeared that the bridge itself cost only \$1,277,000, could be reproduced for that sum, and yet it was so situated, with reference to railroad or other connections, so used by the traveling public, that it was worth to the holders of it, in the matter of income \$2,900,000, could be sold in the markets for that sum, was, therefore, in the eyes of practical business men of the value of \$2,900,000, can there be any doubt of the state's power to assess it at that sum, and to collect taxes from it upon that basis of value? Substance of right demands that whatever be the real value of any property, that value may be accepted by the state for purpose of taxation, and this ought not to be evaded by any mere confusion of words. Suppose an express company is incorporated to transact business within the limits of a state, and does business only within such limits, and for the purpose of transacting that business purchases and holds a few thousands of dollars' worth of horses and wagons, and yet it so meets the wants of the people dwelling in that state, so uses the tangible property which it possesses, so transacts business therein that its stock becomes in the markets of the state of the actual cash value of hundreds of thousands of dollars. Does substance of right require that it shall pay taxes only upon the thousands of dollars of tangible property which it possesses? Accumulated wealth will laugh at the crudity of taxing laws which reach only the one and ignore the other, while they who own tangible property, not organized into a single producing plant, will feel the injustice of a system which misplaces the burden of taxation.

"But if the state comprehends all property in its scheme, then the good will of an organized and established industry must be recognized as a thing of value. The capital stock of a corporation and the shares in a joint stock company represent not only the tangible property, but also the intangible, including therein all corporate franchises and all contracts, privileges and good will of the concern.

"The value which property bears in the market, the amount for which its stock can be bought and sold, is the real value. Business men do not pay cash for property in moonshine or dreamland. They buy and pay for that which is of value in its power to produce income, or for purposes of sale.

"In conclusion, let us say that this is eminently a practical age; that courts must recognize things as they are and as possessing a value which is accorded to them in the markets of the world, and that no fine-spun theories about situs should interfere to enable these large corporations, whose business is carried on through many states, to escape bearing in each state such burden as a fair distribution of the actual value of their property among the states require."

The foregoing cases have never been over-ruled or directly questioned.

Pullman Car Company v. Central Transportation Company, 171 U. S., 138, has been referred to as holding to the contrary, but the decision does not sustain the claim, although there is some language giving color to the claim. Such language is obiter with reference to the facts and points necessary to the decision. The actual decision made in the case is in no just or legal sense in conflict with the earlier cases referred to. The action was merely to recover the value of cars, bedding, etc., contracts and patents transferred by the Central Company to the Pullman Company under a void lease. No franchise or capital stock passed by such transfer. Therefore, evidence of the value of capital stock was entirely immaterial, the court holding the Pullman Company accountable only for certain specified items of property wholly disassociated and disconnected from the franchise and stock of the Central Company.

This is clearly demonstrated by the following extract from the opinion:

"The market price of the shares of stock in a manufacturing corporation includes more than the mere value of the property owned by it, and whatever is included in that price beyond and outside of the value of its property is a factor which in a case like this cannot be taken into consideration in determining the liability of the cross-defendant. Whatever that something may be it is not that kind of property which was delivered or that can be returned or compensation made in lieu of its return. It is not property at all within the meaning of the word as under-

stood in such a case as this. The value of the franchise for one thing enters into the computation of market value. This was, of course, not assigned to the Pullman Company, nor were the shares of the capital stock of the Central Company, all of which remained in the hands of its original owners."

The cases in this state decide the doctrine that railroad property should be assessed as entireties. Franchises are held to be property of value and subject to taxation with the other property of the corporation.

RAILWAYS ARE ENTIRETIES.

The method of valuing the franchise with the other property of railroads is not discussed by our court, but the decisions are in harmony with the rules stated in the cases hereinbefore referred to. An instructive case is *State ex rel. Milwaukee Street Railway Co. v. Anderson*, 90 Wis., 550, in which the court decide:

"The method of taxation in this state is upon the valuation of property taxed, and the statute does not provide for a certain, specific tax on franchises, like an excise rate, and known as a franchise tax, under methods of taxation in use in many of the states. 'In some states,' says Mr. Cooley in his work on Taxation (page 383), 'all taxation, as far as possible, is brought to an *ad valorem* standard. Franchises are property, and in such states may be taxed by valuation, being estimated for the purpose either separately or as a part of the aggregate corporate property.' *State Board of Assessors v. Central R. Co.*, 48 N. J. Law, 283, 288, 347. They have a value which can be estimated, and this is the proper duty of the assessor or the board of review. In *State Railroad Tax Cases*, 92 U. S., 603, it is laid down: 'That the franchise, capital stock, business and profits of all corporations are liable to taxation in the place where they do business, and by the state which creates them, admits of no dispute at this day.' 'Nothing can be more certain in legal decisions,' says this court in *Society for Savings v. Coite*, 6 Wall., 607, 'than that the privileges and franchises of a private corporation . . . may be taxed by a state for the support of the state government.' *State Freight Tax Case*, 15 Wall., 232; *State Tax on Railway Gross Receipts*, 15 Wall., 284.' In *Wilmington Railroad v. Reid*, 13 Wall., 268, the court says that 'nothing is better settled than

that the franchise of a private corporation—which in its application to a railroad is the privilege of running it and taking fare and freight—is property, and of the most valuable kind.’ And in *Morgan v. Louisiana*, 93 U. S., 223, it is said that they ‘are rights or privileges which are essential to the operations of the corporation, and without which its road and works would be of little value. . . . They are positive rights or privileges, without the possession of which the road of the company could not be successfully worked.’ . . .

“The value of franchises, especially in connection with the property reasonably necessary for their exercise and use and which without them would be of little or no practical value, can be estimated as well as the value of other subjects of taxation, though perhaps not as readily or with the same degree of certainty. The cardinal requirement is that, as property, they shall be taxed. All else is matter of method and detail. . .

“The value of the property of the company consists in the franchises connected with the tangible property, without which the latter would be of little or no value. *Hammock v. Loan & Trust Co.*, 105 U. S., 90; *East Ala. R. Co. v. Doe*, 114 U. S., 340, 353. The entire property of the corporation, thus considered, is to be regarded and treated as indivisible for the purpose of sale under adverse process; and to permit it to be sold otherwise would defeat the uses impressed on it for public purposes, and which constituted the consideration for the grant of its franchises.”

The court in *Chicago, Milwaukee & St. Paul Railway Co., City of Milwaukee*, 89 Wis., 576, in setting aside a special assessment for benefits against the property of the corporation say:

“To enforce an assessment against such right of way and track, extending about half a mile in distance, by a sale and conveyance, would necessarily dismember and break up the entirety and utility of the road as a line of travel and commercial intercourse, and interfere with and impair the paramount interest which the public have in it for these purposes. The property of the corporation in its road and appurtenances essential to its operation and use, annexed to the franchise of the company to maintain and operate its road, is an entirety, and is thus charged in the hands of the company with an important trust in favor of the public, though the property in all other respects is essentially private and operated for private gain.”

In *Chicago & Northwestern Ry. Co. v. Forest Co.*, 95 Wis., 80, the court again say:

"The franchise and rights of a quasi-public corporation, owing important duties to the public and the property vested in it necessary for their use and enjoyment and the accomplishment of the purposes for which it was created constitute an entirety."

APPORTIONING VALUE OF INTERSTATE ROADS.

The property of a railway is held to be an entirety—a unit and indivisible—in operation and for taxation, and the logical course would be to first ascertain the value of the entire system and then apportion such value between the states in which the line operates in proportion to the mileage in each. This rule of valuation and apportionment has been sustained by the courts as the best practical method now known. *State Railroad Tax Cases*, 92 U. S., 575; *Railroad v. Backus*, 154 U. S., 429; *Adams Express Company v. Ohio*, 165 U. S., 185. There may be exceptions to this general rule which if shown might change the apportionment on the mileage basis.

EARNINGS AS THE BASIS OF VALUE.

Corporate earnings as a factor in estimating the value of railway property has been briefly noticed. The gross earnings of railways consist of all receipts from the transportation of passengers and freight, and in this state the excess of receipts from rentals and car service above sums paid. *State ex rel. Abbott v. McFetridge*, 64 Wis., 130.

From the aggregate gross earnings are deducted what are called operating expenses; that is expenses for maintenance of way and structures, maintenance of equipment, conducting transportation and general expenses, and the balance will be the income from operation. The income from investments are excluded. The income from operation is generally accepted as a basis to ascertain the value of property as an income producer. Gross earnings are usually well known. The difficulty arises when operating expenses are analyzed to ascertain the amount properly included in this account.

The account may include items more legitimately chargeable to capital expenditures, which would result in increasing operating expenses too largely and thus decrease the income from operation. The income from operation is largely controlled by operating expenses, and a slight difference in the percentage will produce significant changes in the income account and the basis for valuation.

The effects of a slight change are shown by the comparison of operating expenses of all the railways in the United States in 1891 with 1901 in the following extract from Vol. 14, Statistics of Railways 1889-1890:

"The percentage of operating expenses to operating income in 1891 was 66.73 per cent.; for the year covered by this report it is 64.86 per cent. The difference may be said to represent the margin of financial improvement as between the two years placed in comparison. The significance of this apparently slight margin of improvement will be appreciated when it is observed that on the basis of the gross earnings for the year ending June 30th, 1901, it results in placing at the disposal of the railways over \$29,000,000 in excess of what would have been placed at their disposal had the ratio of operating expenses to operating income of the year 1891 been continued. This fund capitalized at the average rate of dividends paid upon stock would warrant an increase in the valuation of railway property of over \$500,000,000."

A tendency in prosperous years is to incur expenditures which in less prosperous years would not be incurred. Where the operating expenses are confined to legitimate expenses for maintenance, conducting transportation and general expenses in compliance with the income account prescribed by the Interstate Commerce Commission for the report of railways, the income from operation may be accepted as one of the items of evidence for consideration in determining the value of property. The railways in the subsequent tables have been entered in two classes and in the first division are embraced the large roads with the greater earning capacity, and whose stocks and bonds have a market value. In the second division are placed the remaining roads of the state of less mileage and without market value of stocks and bonds.

COST OF RAILROAD AND EQUIPMENT, PAR VALUE OF CAPITAL
STOCK AND FUNDED DEBT.

The following table shows the cost of railroad and equipment and the par value of capital stock and funded debt on June 30th, 1901, taken from the report of railways to the railroad commissioner of the state.

Cost of Roads and Equipments; Capital Stock and Funded Debts, of Railroads in Wisconsin; as shown by their reports to Railroad Commissioner for the year ending June 30th, 1901.

	Cost of Roads and Equip- ments.	Capital Stock.	Funded Debts.	Total Capital Stock and Funded Debts.
Roads of First Di- vision.....	\$223,056,665 27	\$99,933,758 11	\$137,522,920 94	\$237,456,679 05
Roads of Second Division.	25,685,964 65	14,136,007 48	12,382,617 60	26,518,625 08
Total.	\$248,742,629 92	\$114,069,765 59	\$149,905,538 54	\$263,975,304 13

Figures above given are totals for all railroads wholly within the state of Wisconsin, and Wisconsin apportionment of totals for all interstate roads operating in this state.

The cost of railways as reported is not considered of great importance as evidence of value. In few cases only does this item in the railway report represent the original cost; for in reorganization of small roads into the present systems little attention was given to original cost of the roads reorganized. Were the original cost carried into the new consolidations it has little relation to the actual value. In the annual expenditures for maintenance in the last twenty years or even less, the property very generally, except right of way, has been practically reconstructed.

It may be a question whether a new railway of equal physical excellence to some of the roads operated in Wisconsin, can be reproduced within a period of ten years.

The theory that the cost of reproduction will represent the value for taxation purposes is not supported by economic conditions. Professor H. C. Adams says on this point:

"The truth is the commercial results of a long established line of communication have become so integral a part of the existing industrial structure that an estimated cost of reproduction would bear no relation to the commercial value of the property.—Adams: Science of Finance, p. 455.

MARKET VALUE OF STOCKS AND BONDS.

The market value of the shares of capital stock and bonds of the railways of the state reported in the financial journals and publications have been compiled for the separate periods of three, five and seven years, ending December 31, 1901. These periods are deemed to cover a sufficient time to eliminate all abnormal conditions, such as unusual conditions of the money market, manipulation, or other causes which might temporarily affect prices. The highest and lowest price of shares of stock in each series of bonds for each month has been compiled to obtain the average price for each period. The funded debt of some roads consists of a large number of bond issues. A part of the bond issues are not quoted in the financial reports. Those not listed and quoted are owned by savings banks, trust companies and insurance companies, and other investors. The market value stated in the reports of these institutions has been compared with the market price of other bonds of the same company bearing the same rate of interest and maturing at or near the same time, and in every instance where the rate of interest or date of maturity were not precisely the same, the lower instead of the higher price has been taken in fixing the market value. The same conservative course was pursued in placing the value of the relatively small amount of bonds not covered by the foregoing statement.

The aggregate value of the entire capital stock and funded debt of each road having been ascertained, the value in Wisconsin is determined by taking the proportion which the mileage in Wisconsin bears to the total mileage represented by the capital stock and funded debt.

The average market value for seven years was obtainable for four roads, for two roads for five years only and for two roads for three years only.

For several companies there were sales in the market of the capital stock and part of the funded debt, but in some instances a large issue of bonds held by a controlling company would be without market quotations. In other companies the whole capital stock might be owned by the controlling companies. In these companies no market value for the entire capital stock and funded debt could, therefore, be obtained and as to such companies no attempt was made to compute their worth upon stock and bond valuation. The market value of the stocks and bonds of the eight roads in the first division for the seven, five and three year periods and the capitalized value of the remaining roads in the state are shown in the following table.

Market Value of Roads of First Division—Wisconsin.

(No Deductions.)

	Seven Years' Average.	Five Years' Average.	Three Years' Average.
1. Chi., Mil. & St. Paul.	\$70,102,731	\$74,124,195	\$78,766,790
2. Chicago & Northwestern.....	71,645,486	74,625,583	78,033,957
3. Chi., St. Paul. Minn. & Omaha	26,368,513	28,700,901	31,050,015
4. Chi., Burlington & Quincy.....	8,181,426	8,655,940	9,316,614
	\$176,298,156	\$186,106,619	\$197,167,406
5. Green Bay & Western.....		1,759,750	2,084,800
6. Minn., St. P. & S. S. M.....			8,964,086
7. Northern Pacific.....		5,678,825	6,342,587
		\$193,545,194	\$214,558,879
8. Wisconsin Central.....			30,286,756
Remaining 38 roads operating in Wisconsin capitalized at 6 per cent amounting to.....			244,845,635
			12,927,725
			\$257,773,360

¹ On basis of average income from operation for five years, 1893 to 1902 inclusive.

LAND GRANTS.

Five of the railways own land grants in this and other states which are locally assessed and taxed. The taxes on such lands are additional to the burden imposed on the operated railway property. The actual value of the lands of the different companies cannot be ascertained with accuracy, and the companies to whom application has been made for the information are unable to state the market or cash value, but in some instances give the assessed value in 1901.

The reports of part of the railways give the number of acres unconveyed on June 30th, 1901, with the average selling price per acre of lands sold in the preceding year. For the lands of such companies the average selling price per acre, in the absence of any better data, is assumed to be the average value of the unsold lands. Where a company is unable to state the market value, the assessed value reported by it is taken.

On this basis the value of the lands of the following named companies is stated as follows:

Chicago & Northwestern Ry. Co., at average selling price	
per acre.....	\$4,952,357 31
Chicago, St. Paul, Minneapolis & Omaha Ry. Co., at average selling price per acre.....	629,546 97
Chicago, Burlington & Quincy Ry. Co.....	52,956 00
Wisconsin Central Ry. Co., assessed value, 1901.....	2,300,000 00
Northern Pacific Ry. Co., average value 1901.....	4,769,876 00
Total.....	\$12,704,736 28

The lands are a part of the corporate property and like the operated railway property go to make up the value of the stocks and bonds. The market price of the securities is based in part on the value of the land owned by the corporation. To tax a railway on a value ascertained from the market value of the stocks and bonds, and again to tax the land locally would result in taxing to some extent the same value twice. To show the difference, the value of the lands has been deducted from the market value of the stocks and bonds, and the balance represents the value of the operated railway property.

The following table shows the market value of the stocks and bonds of the railways named, after the deductions of the value of the unconveyed lands is made.

Market Value of Roads of First Division—Wisconsin.
(Deductions on account unsold lands.)

	Seven Years' Average.	Five Years' Average.	Three Years' Average.
1. Chi., Mil. & St. Paul.....	\$70,102,731	\$74,121,195	\$78,766,790
2. Chicago & Northwestern.....	70,236,788	73,216,835	76,625,219
3. Chi., St. Paul, Minn. & Omaha	26,107,217	28,439,595	30,788,739
4. Chi., Burlington & Quincy.....	8,179,878	8,657,315	9,314,774
	\$174,626,614	\$184,437,990	\$195,495,552
5. Green Bay & Western.....		1,759,750	2,084,800
6. Minn., St. P. & S. S. M.			8,964,086
7. Northern Pacific.....		5,569,214	6,232,975
		\$191,766,954	\$212,777,413
8. Wisconsin Central.....			28,232,918
¹ Remaining 38 roads operating in Wisconsin capitalized at 6 per cent amounting to.....			\$241,010,361
			\$12,927,725
			\$253,938,086

On basis of average income from operation for five years, 1898 to 1902 inclusive.

As already indicated, the values of railway property given in the last preceding table are exclusive of the value of lands. The total deductions from valuations in Wisconsin on account of such lands is about \$3,700,000. The precise figures may be ascertained by comparing the total in such table with the corresponding totals in the first table.

In calculating the value of railway property upon the basis of market value of stocks and bonds a somewhat similar deduction under present conditions may be claimed on account of

their property or interest in other property separately taxed, which includes the assets represented by the total stock and bond issues. It was found that the outstanding stocks and bonds of the Chicago and Northwestern Railway Co. included the following: \$13,235,000 of four per cent. extension bonds of 1886 issued for the purchase of the bonds of the Fremont, Elkhorn & Missouri Valley Railway, and are direct obligations of the Chicago and Northwestern Railway Co.

The F. E. & M. V. R. R. Co. bonds are deposited with a trustee as collateral to bonds of the C. & N. W. Ry. Co. and the F. E. & M. V. R. R. Co. pays the interest on \$13,235,000, 4 per cent. bonds of C. & N. W. Ry. Co. in satisfaction of the interest on the collateral bonds deposited in trust.

\$1,981,500 of 25 year debentures of 1909 issued for the purchase of the capital stock of said F. E. & M. V. R. R. Co., all of such shares of stock being owned by the Chicago and Northwestern Railway Co.

\$9,800,000 sinking fund debentures of 1933 issued for the purchase of 147,000 shares, being a majority of the capital stock of the Chicago, St. Paul, Minneapolis & Omaha Railway Co. The dividends on such stock are received by the holding company. The foregoing is all the information known of the three transactions mentioned.

These several amounts of outstanding bonds aggregating at par \$25,016,000 represent a part interest in property separately taxed. To include these bonds in the stocks and bonds representing the railway system of the Chicago and Northwestern Railway Co. may in effect be treating that company's interest in these outside and separately taxed properties as part of its own system. This may amount to partial duplication or overlapping of values to the extent of the value ascribed to the lots of bonds mentioned much the same, although not so distinctively, as the inclusion of the separately taxed lands, not used in the operation of the road might amount to a duplication in value.

As to all other railroad companies operating in Wisconsin so far as known have no stocks or bonds outstanding which represent outside property or interest in outside properties sepa-

rately taxed. If there are any such, it may be safely assumed that the railway companies interested will present information thereof in due time for the protection of their interests.

From the foregoing it will be seen that the calculations above mentioned are the same as shown in the preceding table except as to the Chicago and Northwestern Railway Company. These are given in the next table following. While the facts as to the direct bonds of the road in question have been stated which for the particular road may have the effect of taxing the same values twice, it is not conceded that bonds to which other bonds are collateral are to be wholly eliminated in fixing the value of the railways or excluded from legislative consideration in enacting laws for the taxation of franchises of railroads or other quasi-public corporations as new and unforeseen exigencies may arise. It has already been stated in the early part of this chapter that such franchises in connection with property and its uses are often of very great value and for taxation may be measured by market value of securities. Originally railways by their charters were only granted the privilege or franchise to do business as common carriers. To the right or privilege of owning property and facilities necessary to the transportation of passengers and freight, has been added the privilege of owning other property not essential to their operation as common carriers. Under the laws they are empowered to own lands outside of what is necessary to their business as well as stocks and bonds in other railway corporations, not required in the operation of the holding company as a single common carrier. The precise value of these privileges separately or in combination may be difficult of ascertainment, but as progress is made in devising systems for their taxation, better methods may be found for their appraisement for taxation. In estimating the value of the franchises of railways, the privilege or franchise of holding stocks or bonds in other railways or lands unnecessary to their operation may be an element for consideration. It may be difficult to ascertain in all cases just how far or to what extent the value of the franchise or right to hold securities in other companies or to own lands or other property not needed in operation, may be increased by the value of such se-

curities or property. It should distinctly be understood that in making the tabulations of the value of the railways in deducting the lands and securities above specified it is not admitted that in estimating the value of the franchise or in providing laws for their taxation, the value of lands or securities is to be wholly eliminated from consideration.

The many forms and purposes corporate organization may take in this ingenious age and the conditions which may follow the organization of stockholding corporations or the extension of that privilege to railway companies whereby the real control of the property of a corporation and its capital may be transferred from the state granting the corporate franchise to another jurisdiction render it unwise to adopt a general rule for the deduction of stocks and bonds in other companies. Stocks and bonds may have a value beyond the right to receive dividends and interest thereon. Each case should be determined upon the facts shown to exist at the time.

The discretion of the legislature to provide adequate methods and rules for the taxation of franchises should remain untrammelled as future conditions which may call for the exercise of the power conferred upon the legislature cannot now be fully known or anticipated.

There seems no doubt of the propriety of deducting the value of the lands. There may be more question about the deduction of the stocks and bonds in question, but the conservative course is pursued of deducting them from the market value of the road.

The statistics are presented in the several tables for the consideration of those who are required to act upon them. The following table will show the valuation of railways in this state after the deduction of the lands and bonds herein referred to.

Market Value of Roads of First Division—Wisconsin.

(Deductions on account of unsold lands and on account of bonds of C. & N. W. Ry. Co.)

	Seven Years' Average.	Five Years' Average.	Three Years' Average.
1. Chi. Milw. & St. Paul,.....	\$70,102,731	\$74,124,195	\$78,766,790
2. Chi. & Northwestern,.....	62,384,271	65,250,046	68,475,064
3. Chi. St. P. Mpls. & Omaha,....	26,107,217	28,439,595	30,788,739
4. Chi. Burlington & Quincy.....	8,179,878	8,657,315	9,314,774
	\$166,774,097	\$176,471,151	\$187,345,367
5. Green Bay & Western.....		1,759,750	2,084,800
6. Mpls. St. P. & S. S. M.....			8,964,086
7. Northern Pacific.....		5,569,214	6,232,975
		\$183,800,115	\$204,627,228
8. Wisconsin Central.....			28,232,948
			\$232,860,176
¹ Remaining 38 roads operating in Wisconsin capitalized at 6 per cent. amounting to.....			\$12,927,725
			\$245,787,901

¹(On basis of average income from operation for 5 years, 1898 to 1902, inclusive.)

The market values shown in the foregoing table are those ascertained from the average market quotations of stocks and bonds of the roads named during the three terms of three, five and seven years ending June 30th, 1901. For the first four roads the market value was based upon the average quotations covering the three specified terms. For the Green Bay & Western Ry. Co., and the Northern Pacific Ry. Co. the values given are based upon the average quotations for three and five year terms, no further quotations being obtainable for those roads. For the last named roads the values given for the seven years' term are computed by applying the same ratio of decrease from the five years' term as shown between the values for three and five year terms of same roads. For the Minneapolis, St. Paul & Sault Ste Marie Ry. Co., and the Wisconsin Central Ry. Co.

quotations were obtainable for the three years' term only, and the values for five and seven years' terms are computed by applying the ratio of decrease shown by the total values of the first four roads.

The value for the remaining 38 roads is ascertained by first capitalizing their average income from operation for the five year term ending June 30th, 1902, as shown by the reports to the Railroad Commissioner. The income value thus found is then taken as the market value for the three year term in the above tables, and the value for five and seven year terms is computed by using the ratios of decrease shown by the total values for the several terms of the first four roads. The following table will show the value of the roads as thus computed for the three, five and seven year periods.

Market Value of Roads of First Division — Wisconsin.

(Deduction on account of unsold lands and on account of bonds of C. & N. W. Ry. Co.)

	Seven years' average.	Five years' average.	Three years' average.
1. Chi. Milw. & St. Paul	\$70,102,731	\$74,124,195	\$78,766,790
2. Chi. & Northwestern.	62,384,271	65,250,016	68,475,064
3. Chi. St. P. Mpls. & Omaha.	26,107,217	28,439,596	30,788,739
4. Chi. Burlington & Quincy	8,179,878	8,657,315	9,314,774
	\$166,774,097	\$176,471,151	\$187,345,367
5. Green Bay & Western	² 1,485,300	1,759,750	2,081,800
6. Mpls. St. P. & S. S. M.	¹ 7,979,500	¹ 8,443,000	8,961,086
7. Northern Pacific	² 4,976,000	5,569,214	6,232,975
	\$181,214,897	\$192,243,115	\$204,627,228
	¹ 25,131,000	¹ 26,591,000	28,232,948
8. Wisconsin Central	\$206,345,897	\$218,834,115	\$232,860,176
Remaining 38 roads operating in Wisconsin, capitalized at 6 per cent. amounting to	¹ 11,508,129	¹ 12,177,270	12,927,725
	\$217,854,026	\$231,011,385	\$245,787,901

¹ Estimated according to ratio of decrease shown by footings of first four roads above.

² Estimated according to ratio of decrease between 3 and 5 years' terms, same road.

AMOUNT OF STOCKS AND BONDS.

On June 30, 1901, the amount of stocks and bonds of railways of the United States outstanding was \$10,855,377,815. Of the aggregate amount of stocks and bonds outstanding, \$2,205,497,909 were owned by railways in their corporate capacity, leaving \$8,649,879,906 in the hands of investors other than railways. The amount of stock outstanding was \$5,806,566,204, and the balance of the \$8,649,879,906 consists of bonds.

The amount of outstanding stocks and bonds not owned by railways is held by investors in this country and abroad. The proportion in this country is not known even approximately, but it is very large. The surplus wealth of the United States is heavily invested in the stocks and bonds of railways and other industrial corporations. No public records exist or are required by law to show the individual ownership. The books of the corporations may show the names of the owners of stocks and bonds, but not necessarily so. The shares of stock can be transferred by endorsement from hand to hand without entry on the books, unless the holders desire to vote at a meeting of the stockholders of the corporation.

Bonds are in two forms, registered and coupon. The coupon bonds after their issue can be sold and delivered by one person to another without entry on the books and the individual owners are as a rule unknown even to the officers of the corporation issuing the bonds.

The assessors are without information as to the owners of stocks and bonds within the state, and the books of the corporation are usually outside of the jurisdiction of the state. The taxing officers are entirely powerless to reach these securities for assessment.

If all the property of railways were taxed to the corporation at the true value and the stocks and bonds were again invariably taxed to the owners at full value, the amount of duplication would be immense.

The practical immunity of these securities from taxation is being taken advantage of by intelligent and shrewd investors

to abandon the loaning of money on real estate mortgages, and the conversion of such investments into the bonds of railway corporations, at a low rate of interest but having a long time to run before maturing. The only efficient and proper method of reaching this source of wealth for taxation is by the assessment and taxation of railway properties at their true value.

STATISTICS OF EARNINGS.

Capitalization.

Earnings constitute one of the chief factors in determining the value of railway property, and this is comprehended with other elements in the estimate of financiers in fixing the market price of stocks and bonds.

The gross earnings, operating expenses and income from operation of the railways of Wisconsin for five years have been tabulated for each company from its reports to the Railroad Commissioner, and the average for five years made as follows:—the gross earnings of a road for five years are added together and the total is divided by five, which gives the average gross earnings for five years. The same method was observed in obtaining the average amount of operating expenses and income from operation. When a less number of years than five is reported the average for the years given is taken and is shown in the tables.

The following is the table for the railways of the first division, and on pages 208 and 209 the table for those in the second division.

REPORT OF THE

Condensed Statement showing Averages for Five Years (1898-1902 inclusive) of Roads of First Division—for Wisconsin.

	Mileage.		Gross earnings.	Operating expenses.	Percentage of operating expenses to gross earnings.	Income from operation.	Income from other sources.
	Owued.	Operated					
1. Chicago, Milwaukee & St. Paul.	1,665.49	1,671.13	\$12,653,708 98	\$7,367,750 79	58.23	\$5,285,958 20	\$52,196 56
2. Chicago & Northwestern.....	1,588.68	1,658.33	12,911,244 42	7,992,134 08	61.76	4,919,110 32	425,906 71
3. Chicago, St. P., Minn'ls. & O...	625.84	634.13	3,929,584 27	2,868,956 37	73.01	1,060,627 89	122,223 89
4. Chicago, Burlington & Quincy...	222.54	223.10	1,426,010 45	821,765 75	57.63	604,244 70	24,625 35
5. Green Bay & Western.....	225.00	225 00	474,603 32	371,719 70	78.32	102,883 62	1,189 58
6. Minn'ls, St. P. & Sault St. M...	289.05	289.05	1,421,630 93	705,331 24	49.63	716,299 68	1,030 21
7. Northern Pacific.....	114.82	115.65	458,359 73	249,563 77	54.45	208,795 96	19,846 75
8. Wisconsin Central ¹	848.51	877.43	4,748,272 33	3,305,624 46	69.61	1,442,647 87	20,312 93
			\$39,053,414 43	\$23,682,846 16	62.24	\$14,370,568 24	\$667,361 98

¹ Three years.

The facts shown in the tables present a summary of operation of roads in Wisconsin for five years and present many interesting features in the conduct of their business and the policy of the management. The statistics contained in the tables can be analyzed and comparison made by those interested in the study of railway earnings. A complete analysis of the gross earnings, operating expenses and income from operation for each would require more space than can be devoted to the subject in this report.

The Eastern Railway of Minnesota is controlled by and is virtually a part of the Great Northern system, making the road in earnings essentially one of the first class. The Duluth, Superior and Western Terminal is understood to be a terminal freight line road, and its earnings are large.

The striking feature of the tables is the wide variation in the percentage of operating expenses to gross earnings, especially in the smaller roads.

The percentage of operating expenses to gross earnings for railways of the first division ranges from 49 to 78. The Chicago, Milwaukee and St. Paul Railway Company shows 58.23 per cent.; the Chicago and Northwestern Railway Company 61.76; and the Chicago, Burlington & Quincy Railway Company 57.00. These are more nearly the usual percentages of the trunk line railways of the country than the other roads in the first division.

The large operating expenses of the Chicago, St. Paul, Minneapolis & Omaha Railway Company in Wisconsin, reduce the income from operation to an extent that the capitalization of that road is greatly below the market price of its shares of stocks and bonds. The average percentage of operating expenses for the entire road obtained from the reports of the company to the railroad commissioner for the five years mentioned is 61.07. From the same reports it appears that the amount of gross earnings in Wisconsin is 37.53 per cent. of the gross earnings of the system. If the percentage of operating expenses in Wisconsin was 37.53 of the operating expenses of the entire line, the income from operation in Wisconsin would be the sum of \$1,529,848.74, which capitalized at 6 per cent.

REPORT OF THE

Condensed Statement showing Averages for Five Years (1898 to 1902 inclusive) of Roads of Second Division—for Wisconsin.

Names of Roads.	Mileage Owned.	Mileage Operated.	Gross Earnings.	Operating Expenses.	Percentage of Operating Expenses to Gross Earnings.	Income from Operation.	Income from Other Sources.
1. Abbottsford & Northeastern.....	15.16	15.16	\$18,822 29	\$12,856 61	63.30	\$5,965 68	
2. Ahnapee & Western.....	34.00	34.00	38,612 75	23,785 68	61.65	14,827 07	
3. Big Falls R'y.....	21.00	21.00	8,561 01	8,118 59	94.83	442 42	
4. Bayfield Harbor & Great Western..... (Bayfield Transfer.) ³	3.86	11.36	6,843 40	8,363 81	122.22	**1,520 41	
5. Chicago, Lake Shore & Eastern.....	15.46	15.46	72,690 73	50,746 54	69.81	21,944 19	
6. Chicago & Lake Superior.....	3.00	3.00	3,069 47	4,276 19	139.31	**1,206 72	
7. Chi., Mad. & Northern..... (Operated by Illinois Central.)	91.31	91.31	100,797 96	135,442 55	134.39	**34,644 59	
8. Chippewa River & Menomonic.....	32.95	32.95	35,743 72	33,435 30	93.45	2,308 42	\$7,273 69
9. Drummond & Southwestern.....	21.72	21.72	17,805 05	14,625 15	82.14	3,179 89	
10. Dul., Sup. & West. Terminal ³	4.85	6.16	505,199 36	158,647 83	28.37	346,551 53	161 70
11. Duluth, South Shore & Atlantic.....	107.75	111.53	260,360 58	204,565 49	78.57	55,795 08	33 07
12. Dunbar & Wausaukee.....	15.50	15.50	25,189 46	6,277 59	24.92	18,911 86	
13. Eastern Railway of Minnesota.....	33.09	35.39	592,849 67	378,909 89	63.92	213,939 78	94,827 09
14. Fairchild & Northeastern.....	29.20	29.20	30,331 47	15,380 98	50.71	14,950 49	
15. Hawthorne, Nebagamon & Superior ² ..	16.28	16.28	37,237 68	23,293 28	62.56	13,939 41	
16. Hazelhurst & Southeastern.....	17.00	17.00	21,991 75	18,460 44	83.94	3,531 31	
17. Wm. Holmes & Son R'y ²	42.67	42.67	1,753 00	.....	.....	1,753 00	
18. Iola & Northern.....	4.70	4.70	5,490 41	5,113 89	93.13	377 03	

WISCONSIN STATE TAX COMMISSION.

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	14.15/	14.15/	225 00/	14,336 48/	637 20/	**14, 111 48/
19. Glenwood & Northeastern ¹	36.70	36.70	76,947 87	45,719 68	59 42	31,228 19
20. Kewaunee, Green Bay & Western.....						
21. Lake Shore & Eastern.....						
- Operated by J. R. Davis Lumber Co. ⁵						
22. Lake Superior Terminal Transfer ³	15.70	15.70	66,994 79	54,615 52	81.52	12,379 27
23. Mattoon R'y Co. ¹	19.36	19.36	9,689 83	12,807 28	132.17	**3,117 44
24. Milwaukee & Superior ²	1	25.41	42,076 52	25,437 50	60.45	16,639
25. Marshfield & Southeastern ²	33.00	33.00	37,881 65	20,136 66	53.15	17,744 99
(Now Wisconsin Central.)						
26. Marinette, Tomahawk & Western.....	38.46	38.46	35,779 50	35,778 77	100.00	.73
27. Minnesota & Wisconsin.....	22.67	22.67	32,435 76	20,653 54	63.68	11,782 22
(Now Chi., St. P., M. & O.) ²						
28. Minneapolis, St. Paul & Ashland ⁵	45.00					
29. Northern Coal R'y.....	10.19	10.19	28,309 34	22,566 32	79.71	5,743 05
30. Oshkosh Tran. Co. Op by C. & N. W....	4.28	4.28	9,165 30	2,583 52	28.19	6,581 78
31. Rice Lake, Dallas & Menomonie ¹	7.52	7.52	11,340 40	10,098 45	89.04	1,241 94
32. St. Paul & Duluth.....	13.63	13.75	21,612 96	16,643 29	76.90	4,999 67
(Now Northern Pacific) ²						
33. Superior Belt Line (Great Northern) ⁵						
34. Washburn, Bayfield & Iron River ⁴	34.00	34.00	56,857 95	76,768 01	135.10	**19,910 06
(Now Northern Pacific.)						
35. Winona Bridge R'y Co.....	54	.54	11,326 85	3,761 56	33.21	7,565 29
36. Wisconsin & Michigan.....	32.82	40.12	76,909 58	54,953 37	71.45	21,956 21
37. Whitcomb & Morris R'y.....	6.00	6.00	3,093 67	3,431 71	111.10	**343 03
38. Wisconsin Western.....	51.45	51.45	40,667 29	46,429 53	114.19	**5,762 24
			2,344,689 02	1,569,025 50		775,663 55

**Deficit from operation. ¹ Two years. ² Three years. ³ Four years. ⁴ 1999. ⁵ No reports.

would result in a valuation of \$25,497,479. It cannot be assumed without definite knowledge that the operating expenses were not properly charged to that account instead of to capital expenditures.

The low percentage of operating expenses of the Minneapolis, St. Paul and Sault Ste Marie Railway Company increases the income and gives a larger capitalization to that road than 60 or 61 per cent. would.

The different ratios of operating expenses to gross earnings control the income from operation and the marked effect of a wide variation in the ratio can be well understood by a reference to the extract from the statistics of railways in the United States heretofore given.

While in the case of two or three roads the percentage of operating expenses is low, increasing the income from operation, and in one or two rather high, decreasing the income from operation, it seems fairly certain that the aggregate income from operation of all the roads appearing in the total is not too large.

The rentals from track, yard and terminals are a part of the earnings arising from the operation of railroads which are to be considered with other traffic earnings. The amount of rentals paid and received for track, yards and terminals by each road operating in the state cannot be ascertained from the reports to the railroad commission so as to be apportioned between the roads.

The excess of rentals paid over rentals received from a single road would reduce the capitalized value of such road. It is thought as the rentals for tracks, yards and terminals in this state would be received by the roads of the state, the accounts would nearly balance, but a definite statement cannot be made on this point.

When the capitalization of income from operation is made to ascertain the value of the separate roads the excess of rentals paid over that received should be deducted.

Rate Per Cent. for Capitalization.

The rate per cent. to be applied to a stated income to ascertain the capital which will produce that income is not fixed by law. The per cent. to be taken must be more or less arbitrary. The legal rate of interest in this state in the absence of a contract, is 6 per cent. The rate of interest on the temporary loans varies from that on mortgages and other long time securities. The security of the investment has an influence on the rate. The bonds of railway corporations having a long time to run before maturity bear as low a rate of interest as 4 per cent. and generally command a premium above the par value. The maturing bonds of many roads are now being refunded at $3\frac{1}{2}$ per cent.

The average interest rate on the investments of 28 of the largest insurance companies in this country upon \$773,253,416 of stocks and bonds in 1901, was $4\frac{1}{2}$ per cent. This, however, was computed upon a valuation of such securities at somewhat less than the then market value.

Charles A. Conant, an authority on financial subjects, states that the interest rate on American securities has permanently fallen from 6 to 4 per cent. From the very nature of the subject, one would not expect many decisions in the courts determining what would be a proper rate to be applied for the capitalization of earnings.

In *Chicago Union Traction Co. v. State Board of Equalization*, 114 Federal Reporter, 557, the federal court, to ascertain the value of franchises and property of certain street railways in Chicago for assessment and taxation, directed that the net earnings of such railways be capitalized at the rate of 6 per cent. The rate of 6 per cent. would appear to be sufficiently high to remove all objections and this rate is used to capitalize the income from operation of the railways of the state.

The following table shows the result of the capitalization of income from operation of such railways at the rate of 6 per cent.

Railroads of First Division—Wisconsin.

Average income from operation for 5 years (1898 to 1902, inc.). Capitalized at 6 per cent.

	Average income from operation.	Capitaliza- tion. ¹
1. Chi., Milw. & St. Paul.....	\$5,285,958 20	\$68,099,303
2. Chi. & Northwestern.....	4,949,110 32	82,485,172
3. Chi., St. Paul, Mpls. & Omaha.....	1,060,627 89	17,677,131
4. Chi., Burlington & Quincy.....	604,444 70	10,074,078
5. Green Bay & Western.....	102,483 62	1,708,060
6. Mpls., St. P. & S. S. M.....	716,299 66	11,938,328
7. Northern Pacific.....	203,795 96	3,479,933
Wisconsin Central.....	1,442,647 87	24,044,131
	\$14,370,368 22	\$239,506,136
Remaining 38 roads operating in Wisconsin capitalized at 6 per cent. on same basis above.....	775,663 55	12,927,725
Making total capitalization for Wisconsin of all roads in state.....	\$15,146,031 77	\$252,433,861

¹ An estimate or computation of the capital value of specified income at rate named, or, in other words, the amount of capital which, at rate named, would produce such income.

The commission to show the growth of railroads in the state and the increase in gross and net earnings from the reports of the railroad commissioner and from the reports of the companies to such commissioner for the last two years, have compiled the following table for the period from 1882 to 1902.

*Mileage, Gross Earnings, Operating Expenses and Income from
Operation of Railroads in Wisconsin from 1882 to 1902.*

Year.	Mileage	Gross earnings.	Operating expenses.	Income from operation.	Percentage of operating expenses to gross Earnings.
1882	3,833	\$18,769,197	\$10,276,746	\$8,492,451	54.8
1883	4,019	19,706,858	11,866,096	7,840,762	60.2
1884	4,241	20,411,574	11,345,576	8,565,998	58.0
1885	4,279	20,269,097	11,997,947	8,271,150	59.2
1886	4,778	20,972,281	12,311,171	8,661,110	58.7
1887	5,116	21,578,206	14,788,619	9,789,587	60.2
1888	5,276	24,891,619	16,632,125	8,259,494	66.8
1889	5,406	25,861,208	17,662,344	8,198,864	68.3
1890	5,476	26,451,565	16,737,745	9,713,820	63.3
1891	5,549	28,040,299	18,063,328	9,976,971	64.4
1892	5,785	31,732,051	20,082,616	11,649,435	63.3
1893	5,925	33,263,551	21,533,955	11,729,596	64.7
1894	6,004	28,318,544	18,285,467	10,033,077	64.4
1895	6,093	29,943,860	16,225,097	9,718,763	62.5
1896	6,093	33,575,971	19,990,610	13,585,361	59.5
1897	6,208	30,632,018	18,256,045	12,375,973	59.6
1898	6,374	35,013,931	20,479,724	14,534,207	58.5
1899	6,410	37,509,466	23,277,523	14,231,938	62.1
1900	6,497	41,257,551	25,715,236	15,542,315	62.3
1901	6,620	40,377,032	25,289,087	15,087,945	62.6
1902	6,620	45,079,163	28,142,087	16,937,076	62.4
Total, 21 years..	.....	\$612,655,042	\$379,459,149	\$233,195,893	61.9

The mileage in the above table is taken from the reports of the railroad commissioner up to and including 1894. The later mileage is taken from the reports of the Interstate Commerce Commission. The reports to the railroad commissioner made by the companies are of "Operated" road, and as two or more companies may "operate" the same line, it was feared that the same track may have been duplicated. The report of the railroad commissioner also includes logging roads while that of the Interstate Commerce Commission deals more exclusively with commercial roads. Except as to the years of 1901 and 1902 the earnings and expenses are taken from the reports of the railroad commissioner, and for 1901 and 1902 from the reports of the companies to the railroad commissioner.

The time from 1892 to 1902 covers the panic of 1893 and periods of depression in business, and partial failure of crops, as well as prosperous years. The length of time under all these circumstances ought to be a fair and reasonable test of the earning capacity of the several railroads.

The average income from operation for the 11 years from 1892 to 1902 is \$13,220,517, which capitalized at the rate of 6 per cent. gives a valuation of \$220,341,950.

Taxes Paid by Railways.

The taxes paid by railways should form a part of the statistics relating to their operation, and is a necessary supplement to the last table of earnings, and should cover the same period. The following table shows the taxes paid by railways from 1882 to 1902.

Table of taxes received from the railroads in Wisconsin from 1882 to 1902, inclusive.

Fiscal year ending September 30, 1882.....	\$586,328 59
1883.....	653,082 51
1884.....	754,269 44
1885.....	733,195 57
1886.....	747,870 99
1887.....	763,994 56
1888.....	1,068,632 96
1889.....	947,772 04
1890.....	1,008,559 04
1891.....	1,140,046 64
1892.....	1,220,674 88
1893.....	1,156,260 75
1894.....	1,438,758 66
1895.....	1,175,752 52
1896.....	1,172,793 62
1897.....	1,265,034 54
1898.....	1,247,357 03
1899.....	1,360,120 14
1900.....	1,547,141 64
1901.....	1,600,379 79
1902.....	1,711,900 18

Table showing the fluctuations in amounts of taxes received during the period covered by preceding table.

The years showing a decrease from the preceding year, with the amount of such decrease, are as follows:

1885 less than 1884	\$21,073 87
1889 less than 1888	120,860 92
1893 less than 1892	64,414 13
1895 less than 1894	263,006 14
1896 less than 1895	2,958 90
1898 less than 1897	17,737 51

The years showing an increase over the preceding year, with the amount of such increase, are as follows:

1883 more than 1882.....	\$96,753 93
1884 more than 1883.....	71,186 93
1886 more than 1885.....	14,675 42
1887 more than 1886.....	16,123 57
1888 more than 1887.....	304,638 40
1890 more than 1889.....	60,787 00
1891 more than 1890.....	131,487 60
1892 more than 1891.....	80,628 24
1894 more than 1893.....	282,497 91
1897 more than 1896.....	92,300 92
1899 more than 1898.....	112,763 11
1900 more than 1899.....	187,021 50
1901 more than 1900.....	53,238 15
1902 more than 1901.....	111,520 39

Railway Taxes on Ad Valorem Basis.

The commission from the investigation of facts and statistics covering a period of seven years from 1895 to 1901, has ascertained and determined the true cash value of all the taxable property in the state to be the sum of \$1,504,346,000.

The total amount of state, county and local taxes as reported to the commission by the secretary of state for the year 1901 is \$20,063,635.45.

The amount of taxes thus reported includes the one mill tax of \$1,436,284, which is an increase in that tax in 1901 of \$806,284 over 1900. The local taxes in the state should be \$806,284 less in the following year. The sum of \$806,284 should, therefore, be deducted from \$20,063,635.45, leaving a balance of \$19,257,735.45, which is the just and proper amount

of all state, county and local taxes in 1901 for obtaining the rate of tax.

The license fees paid by all the railways of the state in 1902 are \$1,711,900.18.

The lowest amount of the market value of the stocks and bonds of the railways of the state on the average of seven years (1895-1901) after deductions of lands and collateral bonds, is \$217,854,026.

The lowest valuation of the railways obtained by the capitalization of their income from operation for eleven years (1892-1902) is \$220,341,950.

To ascertain the taxes the railways would pay on the valuation of their property on the ad valorem basis on either of the amounts above given it will first be necessary to calculate the rate per cent. to be applied to said amounts in order to obtain the total of taxes on such property.

The total value of the taxable property of the state should be added to the value of the railroads, and the state, county and local taxes of 1901 should be added to the license fees paid in 1902 by the railways to ascertain the rate per cent. which would be levied if both kinds of property were taxed on the ad valorem basis.

The following will explain the method of calculating the rate per cent. on the general property and on the market value and the income value of the railways.

Value of general property.....	\$1,504,346,000 00
(1895-1901) Value of railway stocks and bonds.....	217,854,026 00
Total,.....	\$1,722,200,026 00
General property taxes, 1901.....	\$19,257,351 45
License Fees, 1902.....	1,711,900 18
Total,.....	\$20,969,251 63
Rate of tax	1.2176
Value of general property....	\$1,504,346,000 00
(1892-1902) Value of railway on 11 years' income.....	220,341,950 00
Total,.....	\$1,724,687,950 00
General property taxes, 1901.....	\$19,257,351 45
License fees, 1902.....	1,711,900 18
Total,.....	\$20,969,251 63
Rate of tax	1 2093

In case the railways were assessed and taxed by the ad valorem method on said valuation, the total taxes on railway property at the rate per cent. stated would be as follows:

	Valuation.	Rate of tax.	Amount of tax.
(1895-1901).....	\$217,854,026	1.2176	\$2,652,590 62
(1892-1902).....	220,341,950	1.2093	2,664,950 20

It is not deemed necessary to calculate the taxes the railroads would pay on the larger valuations appearing in the tables, but the same method may be employed by any one who desires to ascertain the taxes on such valuations.

The defects and inadequacy of the present license fee system have been so fully discussed in the preceding pages, that it would be a useless repetition to again review the reasons assigned for its abandonment and the substitution of the more reasonable and efficient method of the ad valorem taxation of railways by a state board which the commission recommend.

CHAPTER VIII.

BANK TAXATION.

In 1899 the commission commenced the investigation of the taxation of banks with other matters closely connected with such taxation and which might affect the industrial and financial interests of the state.

The first step was to request the national, state and private banks of the state for information showing the capital, surplus and undivided profits, assessed value of capital, banking house and other real estate, taxes paid, and interest paid by the bank on deposits for each of the years 1899, 1900 and 1901.

The blank statement sent to the bankers for information called for answers to the following inquiries.

- (1). Capital stock paid in.
Surplus.
Undivided profits less current expenses and taxes paid.
- (2). The total assessed valuation of the shares of capital stock.
- (3). The assessed value of real estate owned and occupied as the banking house.
- (4). Total deduction of indebtedness from value of shares of stock.
- (5). Total amount of state, county and local taxes paid on shares of capital stock.
- (6). Total amount of state, county and local taxes paid on banking house.
- (7). The assessed value of real estate other than the banking house.
- (8). Amount of taxes paid on last item of real estate.
- (9). The amount of United States Revenue tax paid on capital and surplus.

(10). Rate per cent. of taxes on property for state, county and local taxes in the assessment district where bank is located.

(11). The rate of interest paid on certificates or time deposits.

The blanks mailed to private bankers who issue no shares of stock, varied from the foregoing in calling for the assessed value of capital instead of shares of stock, and the capital of private bankers is entered in a subsequent table with state and national banks under the designation of shares of capital stock.

In response to the call for information the banks to the number of 198 in 1899, 220 in 1900, and 272 in 1901 returned the statements with complete information on substantially all the items called for. The reports of a few banks in each year omitted answers to some of the material items, and in consequence of such failure the reports could not be used in compiling the statistics.

The ratio of assessed value to par value of capital varies somewhat widely in the different counties of the state, but on the average a marked increase in the assessed valuation of bank capital has occurred throughout the state in the last three years.

The compilation of the capital, surplus, undivided profits, assessed value and taxes paid by the banks returning complete statements to the commission appear in the following table.

Summary of Capital, Real Estate, Assessed Valuation and Taxes for the Years 1899, 1900 and 1901 of National, State and Private Banks Reporting to the Tax Commission.

	Number of Banks.	Capital.	Surplus.	Undivided Profits.	Capital, surplus and Undivided Profits.
1899.....	198	13,357,342	2,951,248	1,438,718	17,747,308
1900.....	221	13,983,885	3,527,597	1,655,283	19,166,765
1901.....	272	14,507,050	3,595,490	2,023,610	20,126,150

	Assessed value shares of capital stock.	Assessed value of banking house.	Assessed value of real estate other than banking house.	Deduction of Indebtedness from value of shares.
1899..	10,392,022	755,007	719,373	257,806
1900..	11,309,007	819,120	355,966	171,468
1901..	14,353,180	1,067,149	403,605	209,563

	State, county and local taxes on shares of capital stock.	State, county and local taxes on banking house.	Taxes on real estate other than banking house.	U. S. Revenue on capital and surplus.
1899..	257,284	20,832	16,854	34,848
1900..	283,705	22,889	9,422	35,814
1901..	299,082	35,362	9,091	39,433

The statistics present several features worthy of careful consideration; the most significant being the ratio of the assessed value to capital from 77 per cent. in 1899 to 80 per cent. in 1900, and to 98 per cent. in 1901. The rate per cent. on the assessed value has also increased for all of the items except real estate other than banking house in 1901. The increased assessments and the rate of taxation of the several items are as follows:

	1899. Per ct.	1900. Per ct.	1901. Per ct.
Ratio of:			
Assessed value to par value of shares	77.81	80.87	98.94
Assessed value to capital and surplus	63.73	64.58	79.29
Assessed value to combined capital, surplus and undivided profits	58.56	59.00	71.32
Average rate per cent. of:			
Taxes paid on assessed value of capital stock, including surplus and undivided profits...	1.92	2.02	2.06
Taxes paid on assessed value of banking house	2.75	2.79	3.31
Taxes paid on assessed value of real estate other than banking house	2.34	2.64	2.25
Total taxes actually paid on capital, surplus and undivided profits			\$299,082
Total taxes computed on capital, surplus and undivided profits, \$20,126,150, at average rate in state for 1901			\$269 810

The above taxes \$299,082 paid in 1901 do not include \$35,362 on banking-house, \$9,091 on other real estate or \$39,433 United States revenue tax.

An increased assessed valuation would be expected in 1900 and 1901 from the efforts made to secure uniform assessments of all property more nearly to cash value. When assessments are higher, a lower tax rate would ordinarily follow unless expenses are greater in the district where banks are located. This does not appear to be true of bank property except for real estate other than banking house in 1901.

TAXATION OF BANK DEPOSITS.

In the administration of the assessment laws the commission received many inquiries from assessors and boards of review

concerning their duty and power to compel bankers to produce their books for inspection or furnish a list of the names of depositors with amounts on deposit. The question was of such serious importance that it became necessary to advise assessors of the extent of their power and the limitations upon the exercise of the power. In the pamphlet to Assessors and Boards of Review, issued in May, 1902, the following was said:

"The question is sometimes asked whether for the purposes of discovering moneys, bankers may not be compelled to testify as to the amount of the deposits of their customers. It is perhaps true that bankers have no clear legal excuse for refusing to testify. - But as is well known, the relations between a banker and his customer are of the most confidential nature, and no honorable banker would violate that confidence by disclosing the affairs of his customers if he could avoid it. There is no particular penalty for a refusal to give such evidence, the case in this respect being the same as that of any other person called upon by the assessor to give evidence as a witness relating to the property of others. Perhaps all such witnesses as well as property owners who refuse to be sworn or to testify would be subject to proceedings for contempt under the provisions of section 4066, Statutes 1898; but in any case where such proceedings may be deemed advisable they should ordinarily be taken against the property owner who refuses to be sworn or to testify rather than against a witness, especially a witness whose knowledge is acquired under the seal of confidence and honor."

A better idea of what the taxation of deposits means to the bankers, depositors, borrowers and to the business affairs of the state is obtained when the magnitude of the banking interests are fully comprehended and for that purpose an examination of the resources and liabilities of the banks is necessary.

The last statement available showing the aggregate resources and liabilities of state, national and private banks with cash on hand separate from the amount due from banks is of date December 13, 1900, in the annual report of the Bank Examiner for 1900, p. viii, and is as follows:

Resources and Liabilities of National, State and Private Banks of Wisconsin, on December 13, 1900.

Resources.

Loans and discounts	\$97,093,770 50
Unpaid capital	762,050 00
Overdrafts	1,319,467 62
Banking house, furniture and fixtures	2,399,869 80
Other real estate	1,125,943 17
Bonds, stocks, etc.	16,527,029 88
Cash items and checks	1,275,898 18
Due from banks	27,190,539 64
U. S. and national currency	4,945,161 85
Specie	6,393,413 02
Nickels and cents	56,109 88
Revenue stamps	62,362 35
Other resources	108,515 23
Total,	\$159,260,131 12

Liabilities.

Capital stock	\$17,896,288 59
Surplus fund	3,977,874 41
Undivided profits	2,965,217 66
Due depositors	121,024,348 13
Circulation	3,986,864 80
Due banks and bankers	8,734,201 80
Dividends unpaid	5,395 50
Certified and cashiers' checks	214,926 42
Bills rediscounted and bills payable	433,963 37
Other liabilities	23,055 44
Total,	\$159,260,131 12

The total deposits of national, state, private and savings banks in this state on December 10, 1901, were \$137,537,424.13, and on November 25, 1902, \$150,396,648.26. The reports of the bank examiner, however, do not separate the items of cash on hand from the amount due from banks, as does the report of 1901 which is here used.

The total deposits of all banks on that date were \$121,024,346.13. The amount of deposits subject to check and the amount of certificates or time deposits are not stated sepa-

rately, but excluding the city of Milwaukee the last item will probably exceed the former. The deposits subject to check are usually without interest and those on certificates and time deposits interest is generally paid to the depositor. Although the deposits were \$121,024,346.13, the banks at the time of the above report had cash on hand in currency, specie, nickels and cents, the sum of \$11,394,684.75. The proportion of cash on hand to deposits will vary little from time to time except for unusual causes.

To carry on a successful business, the funds cannot remain idle but must be loaned at interest on call or on time to borrowers who can use the money to advantage in business, keeping on hand a sufficient reserve to meet the current demand of depositors. The deposit of money by individuals, firms or corporations with a bank thereby creates the relation of debtor and creditor. The banks owe the depositor the amount deposited. It is a credit as explained in Chap. 6 which is liable to taxation.

There is no public record of the name of the depositors or the sums deposited. The knowledge of the fact with rare exception is confined to the one making the deposit and to the bank officer receiving the same. The assessor must apply to the individuals or to banks for information of the amount of money on deposit in his assessment district, which under the present state of the law he must value for assessment if he can find it. The imposition of taxes on deposits even at a moderate rate will cause withdrawal from banks and send money into hiding to escape assessment, and the higher the rate the stronger the motive for concealment will be.

In the reports of banks to the commission for 1901, are given the interest paid on deposits and the rate of state, county and local taxes in the district in which each bank is located, and is compiled in the following table.

Rates of Interest on Deposits paid by Banks in Wisconsin in 1901, and Tax Rates paid on Property in the same Assessment Districts in which Banks are located, so far as returns have been received; showing Number of Banks paying same Rates of Interest and Number located in Districts in which the same Tax Rates were levied.

Rates of Interest on deposits.	TAX RATES.									Total No. paying the interest rate.
	Less than 1 per ct.	1 to 1½ per ct.	1½ to 2 per ct.	2 to 2½ per ct.	2½ to 3 per ct.	3 to 3½ per ct.	3½ to 4 per ct.	4 to 4½ per ct.	4½ to 5 per ct.	5 per ct.
No. of banks paying 2 pr ct...	4	12	11	9	2	5	4	1	.....	48
No. of banks paying 2½ pr ct.	.1	7	7	16	7	8	3	.....	.....	49
No. of banks paying 3 pr ct...	6	25	25	13	8	13	5	.....	6 4	105
No. of banks paying 3½ pr ct.	.....	.....	1	.....	1	.....	.....	.....	.....	2
No. of banks paying 4 pr ct....	.....	2	3	1	3	.....	.....	2	.....	11
No. of banks paying 5 pr ct....	.....	1	.....	.....	.....	.....	.....	.....	.....	1
Totals.....	11	47	47	39	21	26	12	3	5 4	216

The table shows that the tax rate in the district where banks are located equals or exceeds the rate of interest on time deposits for 69 banks and for 97 banks the tax rate is from 50 to 100 per cent. of the interest on deposits. The deposits subject to check usually draw no interest and depositors would therefore, pay the tax out of the principal.

The complete failure attendant on all efforts to secure information from depositors naturally inclines the assessors to apply to the officers of banks for an examination of their books for the names of depositors and the amounts, or for a list of the same. The individual will not reveal the fact and every avenue of information is closed, unless the banks may be compelled to grant access to their books or furnish lists of their depositors to the taxing officers. If efficient methods are to be employed to reach all bank deposits for taxation the first important question arising is; shall the banks be compelled by law to furnish the assessors or boards of review with the names of the depositors, and the amounts owing to each individual in the assessment district. It is apparent to those with any experience in the taxation of credits that the only efficient method that can be devised for the equal and certain taxation of all deposits will be the enactment of laws compelling bank officers to either permit an inspection of their books or furnish a list of depositors to assessing officers.

There are states imposing a small tax on savings banks' deposits directly on the banks themselves, but so far as known no state has passed laws for the examination of the books of bankers to secure the names of depositors for the use of officers to assess the deposits to individuals, and no determined effort to require bankers to exhibit their books has been made with the exception possibly of Indiana. In that state in 1891 the state board subpoenaed the vice-president of a bank at Evansville to appear before such board for the disclosure of the names of depositors and the amounts held by each. The bank officer appeared before the board, but refused to disclose the name of depositors or the amounts on deposit. The state board thereupon adjudged the bank officer guilty of contempt, fined him \$500, and committed him to jail until the fine was

paid. On a writ of *habeas corpus*, the Supreme Court of Indiana decided that the board had no jurisdiction to punish for contempt as the constitution vested that power solely in the courts and the legislature could not confer the authority upon a state board, and discharged the bank officer from custody. *Langenberg v. Decker*, 131 Ind., 471.

The assessment of property in Indiana is made as of the first day of April in each year. The proceedings to compel the disclosure above referred to were made in August, too late to have any effect on the assessment of 1891 as it was then completed. It was the opinion of some of the leading bankers of the state that had the power to compel disclosure been sustained in the courts and similar proceedings instituted against bankers throughout the state, deposits would have been withdrawn to escape taxation and the banks closed before a new assessment in the following April.

A law, with adequate provisions to compel bankers to disclose deposits to taxing officers, would undoubtedly result in deposits being withdrawn, and hidden or sent to banks in other states. A system which will certainly place all deposits on the tax roll would be destructive to the banks, and disastrous to all business interests in the state.

LAWS OF STATE FOR ASSESSMENT OF BANKS.

The constitution in section 4, Article 11 withholds the power from the legislature to create, authorize or incorporate by general or special law any bank or corporation with banking privileges except as provided in section 5 of the same article; and provides that the legislature might submit the question of bank or no bank to the voters at a general election and if the majority was in favor of banks then the legislature should have the "power to grant bank charters or to pass a general banking law with such restrictions and under such regulations as they may deem expedient and proper for the security of the bill holders," providing that no such grant or law should have any force until submitted to the voters and approved by a majority.

The legislature in 1852 passed Chap. 479 entitled "An act to authorize the business of banking" and the law was approved by a majority of the voters at the general election held in that year. By Section 16 of such general banking law, state banks were required to pay to the treasurer on the first day of January and July in each year a semi-annual tax of three-fourths of one per centum on the amount of the capital stock of such bank and said capital stock was to be "exempt from all other taxes except on that portion of said capital stock which shall consist of and include the real estate of such bank or banking association and the real property of all banks and banking associations shall be assessed and taxed in the city, ward, village or town where the same is located, for all state, county, town and corporation purposes in the name of such bank or banking association" but the owner or holder of the shares of stock was not to be taxed as individuals.

At the time of the adoption of the constitution and passage of the general banking law and its ratification by the voters, the state bank issued bills which circulated as money and one of the great objects of reserving to the people the power of determining the restrictions and regulations of the banking business was for the security of the bill holders. The deposit of the public stocks of the United States or of any state required by the law was solely for the redemption of the circulating notes issued by the banks.

The provision for the taxation of the state banks continued in force until after the acts of Congress of 1863 and 1864 providing for the organization of national banks and granting power to the states to tax the shares of stock. The method prescribed in section 16 above referred to was not in compliance with the federal grant of authority to the states to tax the national banks and it became necessary to change the law.

The legislature passed Chap. 102 of 1866 as an amendment to Sec. 16 (Sec. 20, Chap. 71, R. S. 1858) which was adopted by the people and provides:

"No tax shall hereafter be assessed upon the capital of any bank or banking association organized under the authority of this state but the stock holders in such banks and banking associations shall be assessed and taxed on the value of their

shares of stock therein at the place where the bank or banking association is located and not elsewhere."

The provision was made applicable to national banks organized under the act of Congress. The general banking law as thus amended fails to provide for the standard of valuation for the shares of stock or for the taxation of real estate owned by banks and reference to other provisions of the statute for the administrative features of the system becomes necessary.

Banks under the law for the purpose of taxation were divided substantially as follows:

- (1) Incorporated banks, authorized to issue and issuing shares of stock, and including
 - (a) State banks organized under the laws of the state.
 - (b) National banks organized under the Act of Congress.
- (2) Private banks.

The taxation of banks may be grouped under four heads:

- (1) Place of assessment.
- (2) Return to the assessor and entry on the roll.
- (3) Property subject to assessment and to whom assessed.
- (4) Valuation of the property for taxation.

Place of Assessment.

The place of assessment is determined by section 1042, Stat. 1898.

"All the stock of every bank or banking association, whether organized under authority of any law of this state or of any Act of Congress of the United States, and all the capital stock of every person, association or other corporation whatever engaged in the business of banking, buying and selling exchange and receiving deposits shall be assessed and taxed in the county and assessment district where such bank or banking association or where such person, association or corporation is located for the transaction of business."

By the foregoing provisions the place of assessment is clearly and definitely fixed in the assessment district where the bank is located for the transaction of the banking business.

Return to the Assessor.

The return to the assessor is provided in section 1051, Stat. 1898, as follows:

"Upon the demand of the assessor, the president, cashier or other officer in charge of any incorporated bank shall make out and deliver to such assessor annually, before the first day of June, a statement showing the name and residence of each stockholder therein on the first day of May preceding and the amount of stock owned or held by him on that day. And the assessor shall assess said bank stock as other taxable property in his assessment district."

This is the only provision in the statutes specifically requiring banks of any description to make a return to the assessor. It will be observed that this requirement relates to information from incorporated banks only and is confined to a statement showing the name and residence of each stockholder therein on the first day of May preceding and the amount of stock owned or held by him on that day.

No further or different statement can be required from incorporated banks. Section 1051 contains no reference to persons, associations or corporations conducting business as private bankers, and they are not called upon to make this statement as they do not issue shares of stock as banking associations or corporations.

By the terms of section 1044, Stat. 1898, "bank stock shall be entered in the name of the holders of the several shares thereof respectively and the capital stock of every person, association or corporation (other than banks) engaged in the business of banking, buying and selling exchange and receiving deposits shall be entered in the names of the several owners thereof respectively."

Property Subject to Assessment.

The usual interpretation given the laws of the state places state and national banks on the same basis for the purposes of taxation, and provides one method for the assessment of their property, namely,

(1) The shares of stock shall be returned to the assessor and assessed in the names of the individual owners or holders thereof.

(2) The real estate owned by the bank not being exempt, shall be assessed to and in the name of the corporation.

The capital stock of private bankers shall be assessed to the several owners thereof respectively and so entered on the roll.

Valuation of Bank Property.

The laws for the taxation of the shares in incorporated banks to the owners or holders do not fix the standard for valuation except by reference to other parts of the general statute governing the valuation of real and personal property. Sec. 1051, after providing for the statement from the officers of the bank of the names, residence and amount of shares held by stockholders, concludes with this direction: "and the assessor shall assess said bank stock as other taxable property in his assessment district." The power of the assessor is further specified in Section 1057, Stat. 1898. "The assessor may value bank stock according to his best judgment." The command to the assessor is that he shall assess bank stock as "other taxable property in his assessment district." The other taxable property in his district consists of the general mass of real and personal property subject to taxation. Section 1052, Stat. 1898, provides that "real property shall be valued by the assessor at the full value which could ordinarily be obtained therefor at private sale. . . ." And Section 1055, Stat. 1898, is that "all articles of personal property shall as far as practicable be valued by the assessor upon actual view at their true cash value. . . ." The rule for the assessment of other personal property is the true cash value thereof, and the same rule is applied in the valuation of the shares of stock of incorporated banks. The assessor when he has ascertained the true value of the shares of stock, enters the same in the assessment roll against the owners of such stock.

In arriving at the value of the shares the assessor may, among other things, consider the par value as well as the surplus and undivided profits of the bank if any. It does not necessarily follow that the par value of the shares or the surplus and undivided profits added to the par value constitute

the cash value of the shares of stock for assessment. The true value may be above or below the par value depending upon many circumstances affecting the worth of the shares which are to be carefully weighed in determining their value for assessment. While the rule stated for the valuation is clear, it may be administered with an evil eye and unequal hand moved by prejudice or favoritism or other improper motives so as to produce an unjust and illegal discrimination in taxation.

Theoretically the law is framed to secure equality and uniformity in taxation and the failure to obtain this result is due to the infirmity of human judgment to reach correct conclusions in the valuation of property, for when the value of all property in an assessment district is determined the tax to be levied thereon against the respective owners is simply a matter of calculation.

Banks are the only corporations in the state taxed upon capital or shares of stock.

The tax cannot be evaded. The rigid provisions for the return of the shares for assessment affords the assessor full information of the number of shares owned by each stockholder and the shares are universally assessed and taxed. Nor can the tax be shifted by the holder. The bank in loaning its funds is brought in direct competition with all other moneyed capital and cannot exact more than the current rates of interest whatever may be the tax imposed on the shareholder or upon the corporate property.

The value of the shares of stock in a national bank owned by a tax payer within the decision of *Ruggles v. Fond du Lac*, 53 Wis., 436, is considered a "debt due or to become due" him from which he is entitled to deduct the amount of bona fide and unconditional debts by him owing under Subd. 10, Section 1038, Stat. 1898, in listing his property for taxation.

Taxation of Stock and Real Estate.

The practice which has prevailed in the state of taxing the shares of stock at the full value and also the real estate at full value has been considered by many as double taxation and unjust and has led to several attempts to secure relief by legislation.

The contention has frequently been made that if the real estate owned and occupied as a banking house is purchased with funds paid in as capital of the bank and not out of surplus, then, under Chap. 102, laws 1866, "that no tax shall hereafter be assessed upon the capital of any bank or banking association organized under the authority of this state," such real estate is exempt from taxation.

The legislature has not expressly exempted the real estate of banks from taxation. Exemption is a special privilege which can only be conferred by statute. The Supreme Court in *Katzer v. Milwaukee*, 104 Wis., 16, say: "Such statutes conferring special privileges and in derogation of the sovereignty exercised over other property are to be strictly construed. If the meaning of such statute is fairly ambiguous or uncertain as to a specific piece of property or owner it is the duty of courts to resolve the doubt in favor of the taxability of the property. It is for the legislature to grant these special privileges, and it has always been held that courts will proceed upon the assumption that whatever the legislature intends to exempt will be expressed in such clear language as to leave no doubt, and that what has been left doubtful is not intended to be exempt."

The principle appears to be established that all real estate of banks, however acquired, is not exempt, but is taxable as other real property.

Constitutional Amendment.

The constitutional amendment adopted by the people at the last general election provides, "The legislature shall have power to enact a general banking law for the creation of banks and for the regulation and supervision of the banking business, provided that the vote of all the members elected to each house, to be taken by the yeas and nays, be in favor of the passing of such law."

The legislature is now empowered to pass such laws for the organization, regulation and taxation of banks as may be deemed expedient and proper for safe banking and equality in taxation. In order to determine what amendments shall

be made to the present laws the limitations on the power of the state to tax national banks must be recognized so that uniform provisions can be made to include in the system the state and private banks on the same basis applicable to national banks.

Early in the history of this government in cases affecting the Bank of the United States, it was held that an agency such as that bank was adjudged to be, created for carrying into effect national powers granted by the constitution, was not as to its capital, franchises and operations subject to the taxing power of a state. *McCulloch v. Maryland*, 4 Wheat., 416; *Osborne v. Bank of the United States*, 9 Wheat., 738.

The principles settled by these cases and subsequent decisions are stated by the court in *Davis v. Elmira Savings Bank*, 161 U. S., 283:

"National banks are instrumentalities of the Federal Government created for the public purpose, and as such necessarily subject to the paramount authority of the United States. It follows that an attempt by a state to define their duties or control the conduct of their affairs is absolutely void wherever such attempted exercise of authority expressly conflicts with the laws of the United States and either frustrates the purpose of the national legislation, or impairs the efficiency of these agencies of the Federal Government to discharge the duties for the performance of which they are created. These principles are axiomatic and are sanctioned by the repeated adjudications of this court."

The court in *Owensboro National Bank v. Owensboro*, 173 U. S., 664, commenting on the last case say, "It follows then necessarily from these conclusions that the respective states would be wholly without power to levy any tax either direct or indirect upon the national banks, their property, assets or franchises were it not for the permissive legislation of Congress." The power granted to the states is not to tax the banks, their franchises or property, but to tax the shares of stock in the name of the shareholders and is embodied in Sec. 5219 of the Revised Statutes of the United States as follows:

"Nothing herein shall prevent all the shares in any association from being included in the valuation of the personal prop-

erty of the owner or holder of such shares, in assessing taxes imposed by authority of the State within which the association is located; but the legislature of each State may determine and direct the manner and place of taxing all the shares of national banking associations located within the State, subject only to the two restrictions, that the taxation shall not be at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such State, and that the shares of any national banking association owned by non-residents of any State shall be taxed in the city or town where the bank is located, and not elsewhere. Nothing herein shall be construed to exempt the real property of associations from either state, county or municipal taxes, to the same extent, according to its value, as other real property is taxed."

The court in the case last cited in speaking of this section say: "This section, then, of the Revised Statutes is the measure of the power of a State to tax national banks, their property or their franchises. By its unambiguous provisions the power is confined to a taxation of the shares of stock in the names of the shareholders and to an assessment of the real estate of the bank. Any state tax, therefore, which is in excess of and not in conformity to these requirements is void."

The doctrine is also enunciated in the same case that a tax in form on the franchises of the bank corporation is not the equivalent of a tax on the shares of stock and to sustain the tax imposed otherwise than is permitted by the law of Congress, there must be two distinct and essential elements:—equivalency in law and equivalency in fact. The franchise, accumulated earnings, surplus and undivided profits, or property of a national bank cannot be taxed under these names and can only be reached by a tax on the shares of stock held by the individuals and real estate owned by the banking association.

The system of taxation devised by the act of Congress is effectual and easy of execution. The policy of taxation has long been established, the rule well settled, and the safe course for the state will be to enact a system within the limitation of the act of Congress for the taxation of the national, state and private banks.

The provisions of the assessment laws above set forth in full

are mainly in line with the federal law although not as clear on some matters of procedure as seems desirable.

The property of banks in this state for taxation should be classified and assessed as follows:

(1) The shares of stock of incorporated banks to the individual owners thereof in their names.

(2) Real estate owned by incorporate banks to the corporation.

(3) The capital stock of private bankers to the several owners thereof.

The words "capital stock" of private bankers found in Sections 1042 and 1044 have no statutory definition and difficulty is experienced in stating just what is meant by the phrase, or in ascertaining precisely by what method the amount of the capital stock may be ascertained for the purposes of assessment. An analysis of the last two sections referred to show that private bankers may be divided into three classes:

(1) Persons engaged in the banking business.

(2) Associations (not organized banks) engaged in the banking business.

(3) Corporations (other than banks) engaged in the banking business.

There is no distinct legal separation of the capital employed in the private banking business from the capital used in other business of such persons, associations or corporations nor any difference in liability to creditors.

The term "capital stock" of private bankers as used in the statute is held by adjudged cases to denote the money paid in or voluntarily set aside as the basis of the business of the bank and the means of conducting its business and it is understood that generally private bankers conduct their business according to this principle.

In the event the general banking law is revised more definite regulations can be made for the capital to be set aside and used as the means of conducting the banking business where the persons, associations or corporations are also engaged in other and different kinds of business.

Deduction of Real Estate in Valuation of Shares.

The deduction of the assessed value of real estate from the value of shares in incorporated banks in assessment for taxation should be confined within the limits essential to safe and sound banking. While it is true that all real estate owned by the bank is an element entering into and affecting the value of the stock, it is not certain that the assessed value of all real estate which a bank may own should be deducted from the value of the shares. The policy of well considered bank legislation has been to discourage investments in real estate which are not readily convertible into money. This principle is expressed in the banking law of the state for the organization of state banks and the regulation and conduct of their business as will appear from the reading of Section 29 (1 Stat. 1898, p. 1533).

"It shall be lawful for such associations to purchase, hold, and convey real estate for the following purposes:

First. Such as shall be necessary for its immediate accommodation in the convenient transaction of its business.

Second. Such as shall be mortgaged to it in good faith by way of security for loans made by or money due to such association.

Third. Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealing; and

Fourth. Such as it shall acquire by sale on execution or decree of any court in its favor. The said association shall not purchase, hold or convey real estate in any other case or for any other purpose whatever;"

The federal act for the organization of national banks, section 5137, is substantially to the same effect with a further provision that the title and possession of real estate purchased to secure a debt shall not be held for a period longer than five years.

These laws were enacted upon mature deliberation with the full knowledge of the most approved banking methods for the security of the institution, its depositors, and the business interests of the community in which the banks are located, and are intended to prevent investments in real estate and to induce the sale within a short period.

The permission to deduct the value of real estate other than the banking house might lead to less effort to dispose of lands taken for debts, whereas the taxation of such property would tend to a more rapid conversion into money.

The deduction of real estate from the value of the shares of a banking association in the assessment for taxation should be limited to the banking house necessary for its immediate accommodation in the convenient transaction of its business.

CHAPTER IX.

EXEMPTIONS.

There are many articles of small value which are seldom assessed, although they are not expressly exempted by law. They prove a matter of annoyance and perplexity to earnest assessors and conscientious tax payers. Tools of a mechanic, kept and used in his trade, and farm and garden tools and implements, not exceeding in the aggregate one hundred dollars in value should be exempt. In several states the exemption of this class of property is higher than the amount here recommended.

Watches are not assessed in many districts. As evidence of the failure to assess watches, the fact may be cited that in Sawyer county two watches were assessed in 1901 and none in 1902; in Vilas county three were assessed in 1901, none in 1902. Douglas county, containing the second city in the state, reported five watches assessed in 1901, six in 1902. We recommend that one watch of value not exceeding \$50.00 and carried by the owner for his personal use, be exempt.

Bicycles, like watches, are not as a rule assessed. Three counties reported no bicycles in 1901, and the same number, though not the same counties, in 1902. Bayfield reported 129 bicycles assessed in 1901, none in 1902. In 1902 Ashland county reported 652, Dane 215, Douglas 9, Iowa 54, LaFayette 16, Barron 746, and Racine none. One bicycle used by the owner in his business or for pleasure, not including any machine propelled in whole or in part by any mechanical agency, should be exempt.

In many assessment districts assessors are reluctant about assessing organs and melodeons and no attention is paid to other musical instruments of small value, such as violins, guitars,

etc. One organ, or one melodeon, and musical instruments of the classes referred to, kept for the use of an individual or family, not exceeding fifty dollars in value, should' be exempt.

We also recommend the following exemptions:

One sewing machine, owned and kept for the use of an individual or family.

Not exceeding five colonies (swarms) of honey bees, owned by an individual and kept for the use of the owner and his family.

Firearms to the value of \$25.00 should be exempted for the same reason.

Poultry not exceeding \$25.00 in value should be exempt.

It is also deemed desirable to exempt young animals. Some states exempt animals under six months of age. Personal property being assessable as of the first day of May, we recommend that all animals born subsequent to the 31st day of December preceding the day of assessment be exempt. This day seems to afford the most natural dividing line as fewer animals are born during the midwinter months than at any other period of the year. Like watches, bicycles and poultry, many assessors seem entirely to ignore young animals as having no real cash value.

CHAPTER X.

A STATE BUDGET.

The term "budget" is here used to mean a report from the administrative to the legislative branch of the government of the estimated revenue of the state from taxation and the expenditures for the support of the several departments of the state government,—the educational charitable, penal and reformatory institutions,—and for many other public purposes.

The aim of the report is primarily to inform the legislature of the conditions of the state finance as the basis for the appropriation of the public income to the legitimate and necessary expenses of the state government. The power to levy taxes and pass fiscal bills holds the industrial life of the state in its grasp, and should be exercised to protect rather than to impair the ability of the people to contribute to the support of the government.

The science of public finance which analyzes the wants of the state and the means by which those wants may be supplied is too comprehensive for even a statement of the elementary principles. The nature of the public wants are well known to legislators, and the extent to which they shall be supplied are entirely within the legislative authority under constitutional limitations and political restraints established to strictly confine expenditures within the income and to secure care and economy in legislation.

While the system is elementary in a sound system of public finance that expenditures shall not exceed income, it by no means follows that expenditures shall equal the income or the power of appropriation be so exercised as to prevent an equalization of the burdens of taxation. This much is said as pre-

liminary to a consideration of the system in Wisconsin for obtaining the revenue or income for the wants of the state.

In this as in other American states there exists the general property tax, supplemented by special forms of corporate taxation. The taxes from the corporations are with slight exceptions paid into the state treasury for the use of the state and constitute a large part of the income. The balance of the income is secured by a direct tax upon the general property of the state, and is apportioned to the several counties in proportion to the value of the property in such counties as determined by the state board of assessment. Each county must levy, collect and pay to the state the sums apportioned to it. Therefore, in case the revenue derived from corporations remains stationary and expenditures are largely increased the property and industry of the citizens is the final source from which the balance of the income must be supplied.

If, on the other hand, the revenue from the corporations is increased, the taxes levied on the general property of the state should correspondingly diminish. A sound fiscal system is established when the income and expenditures of the state are so controlled as not to place unnecessary burdens upon the industry of the citizens or of corporations. And when appropriations are made on a scale that taxes to meet them will cripple or impair those industries, one of the fundamental principles of public finance is violated. The more prosperous and flourishing the industries of the people, the larger the fund from which the state may draw for supplying its wants in ordinary times and to which it may resort in periods of emergency.

The laws providing the mode of obtaining income constitute the tax system which is continued in force and usually remains unchanged by the acts of the legislature making the appropriations. The basis of the tax laws and their practical operation involves the consideration of the great question of just and equal taxation and may be separated from the side of the budget relating to expenditures. The last subject is the one to which the suggestions here made will more chiefly relate. It seems to be of paramount importance to the legislature that the report of the estimated expenses for the ensuing biennial period

shall be at hand showing in detail the sums needed for public purposes. The estimates should be filed with the governor a sufficient time before the sessions of the legislature for examination and comparison so that they may be transmitted to the legislature with such recommendations as the chief executive may see fit to make.

The estimate should come from every department and institution of the state, and from all associations and persons entitled to or seeking the appropriation of money. The report will thus include the details as well as the aggregate of all expenditures and will place the legislature and its committees at the beginning of the session in possession of complete information essential to determine the necessity of the demands for money in preparing the appropriation bill. The legislature can thus compare each item with all others, judge of the necessity of the several appropriations asked for, their relative importance and proper apportionment and can easily ascertain whether the total will fall below or exceed the estimated receipts of the state.

Full and detailed reports to the governor of past expenditures are required by Chapter 97, Laws of 1901, as follows:

"Section 1. The respective state officers, heads or chiefs of bureaus and departments of the state service and the several boards having control of the charitable, and penal and educational institutions of the state including the normal schools and state university shall, on or before the tenth day of January in each odd numbered year, make and deliver to the governor a brief, succinct, detailed report of all receipts and expenditures in their respective offices, boards, bureaus or departments for the biennial term ending the first Monday in January.

"Section 2. The respective state officers and chiefs or heads of all bureaus and departments and regents of state university and normal schools shall in each odd numbered year, on or before the tenth day of January make and deliver to the governor in tabular form a complete, concise and detailed report of the expenses of conducting such office, bureau or department, normal schools and state university for each year of the biennial term ending on the first Monday in January preceding the date of such report, and shall accompany such report with a like detailed statement or report of the receipts and expenses of conducting such office, bureau or department for the corresponding years of the two preceding biennial terms."

The reports showing the expenses for the past two biennial periods will be a valuable guide to the legislature in deciding upon the appropriations needed for the following two years. The act, however, fails to require estimates of the amounts considered necessary for future expenses of the several departments, boards and institutions therein named.

Section 144, Statutes 1898, prescribing the duty of the secretary of state as auditor by subdivision 13 requires him "to exhibit to and deposit with the governor within ten days after the thirtieth day of September in each year, a complete statement of the funds of the state, of its revenues and of the public expenditures during the preceding year, with a detailed estimate of expenditures to be defrayed from the treasury for the ensuing year, specifying each object of expenditure and distinguishing such as are provided by law, and showing the means from which such expenditures are to be defrayed."

No reports are submitted to the secretary of state from the departments or institutions of the state showing the amounts which will be needed for the next two years.

The estimates of the secretary are based entirely on calculations of the income that have been received in previous years and on expenses under laws fixing certain permanent appropriations and as to others to the course of past legislation. The permanent appropriations can be determined with reasonable accuracy. They, however, constitute the smaller portion of the total expenses of the state government. The remainder of the expenses, and by far the largest part must be approximated by a comparison with the expenditures in previous years.

It may be remarked that the estimates of the secretary of state of the income of the state in taxes and the receipts from corporations and the estimated expenditures have been prepared with great care and with reasonable accuracy when it is recalled that for the largest items he is without official information.

The present practice of preparing appropriation bills compel the committees to delay action until all claims and estimates for appropriations have been filed before the extent of expenditures can be determined, and in the event of the demands exceeding the receipts, to compare the relative merits and impor-

tance of the many appropriations asked for and decide which of them shall be reduced to keep within the income or rejected as unnecessary expenses.

There are many laws of the state enacted from time to time making permanent appropriations. Chapter 12, Statutes 1898, entitled "Of Salaries and Permanent Appropriations," provides for the salaries and expenses of the officers, deputies and assistants therein named. Under other chapters of the statutes of 1898 are found provisions creating boards or officers, prescribing their duties and carrying permanent appropriations. The session laws of 1899 contain about sixty acts making appropriations for current expenditures, and those of 1901 about sixty-five, and in some of these permanent appropriations are made.

The policy of permanent or standing appropriations, it is believed, is not generally followed in nations having the best financial systems. The annual expenses of the federal government are provided for in a few great appropriation bills, framed upon careful estimates and reports from the various departments and the general scope of each bill is known to members of congress. The custom among the states is not uniform, but some of them have abandoned the practice of standing appropriations and provide at each session for all expenses of state government in one bill except for emergencies. The state of New York¹ and New Jersey² enact one appropriation bill for the support of the state government which contains a complete enumeration of all expenditures of several hundred items under separate groups, and is a safer and more desirable form of legislation than to scatter the appropriations through a volume of session laws in 60 or 70 different acts.

The New Jersey legislature of 1895³ enacted that after November 1st, 1895, "no money shall be drawn from the treasury unless it shall have been explicitly appropriated by the annual appropriation act to the purpose for which it is drawn."

A similar act in Wisconsin would no doubt repeal by implication all statutes now in force for permanent appropria-

¹Ch. 395, Laws New York, 1902.

²Chap. 256, Laws New Jersey, 1902.

³Chap. 401, Laws N. J. 1895.

tions and compel the insertion in the biennial appropriation bill of all expenditures for the state government for the ensuing two years.

The practice is not precisely the same in all the states, for some of them, as in Massachusetts, Pennsylvania and Illinois, instead of grouping the items under separate subdivisions of one act pass separate acts published in the session laws in consecutive order.¹

A single appropriation act will not, of course, preclude the passage of supplemental laws to meet emergencies or correct errors or omissions in the biennial appropriation bill.

In 1899 the total amounts in the appropriation laws passed at the session exceeded both the estimated and actual receipts of the state for that year by about \$700,000. A part of the expenditures thus made were subject to approval of the governor who was enabled by withholding his consent until funds were in the treasury, to prevent a deficit and three years later the objects for which the appropriations were made were carried out.

The administration of the financial affairs of this state in the past has been good, the credit of the state kept in high repute, and expenditures have been made on an economical basis commensurate with the legitimate wants of the state.

To maintain that standard it seems desirable to adopt the most approved method for accurate estimates as the basis for appropriations in conformity with the practice prevailing in other industrial and progressive states. The system once in force can be changed and improved from time to time as experience may show is necessary.

A single bill carrying all appropriations for the support of the state government with a few well defined classifications, stated in clear and simple language, easily understood, would present the proposed expenditures in an orderly and consecutive form so that all members will be informed of the nature and extent of the appropriations, can keep advised of the action of the committees, will be prepared to discuss the whole

¹ Chaps. 1 to 56, etc Mass., 1901; Laws of Ill., 1901, pp. 13-90; Laws of Penn., No. 541 (general appropriation act), and Nos. 340-540.

or any part of the bill at the proper time and will know precisely what they are voting for.

The great mass of bills introduced at each session renders futile the attempt of members to fully inform themselves of the merits of each bill so as to discharge their full duty, although they may have knowledge of the general drift of legislation. One general appropriation bill would be of such vital interest that each member would study and scrutinize the parts in which he might be specially interested and would understand the main provisions of the whole and could not escape the responsibility to his constituency which is the chief corrective of extravagant legislation.

The effort to secure reforms in taxation will be materially assisted by reform in expenditures in state and municipal government. A tax seems less onerous and obnoxious to taxpayers when they know the precise object for which the money is expended, and that the purpose is legitimate and necessary to the public wants. Legislation that gives concise and plain information to the people of the disposition of public moneys, removes grounds for criticism, and is a distinct advance toward a right system.

The method of procedure suggested which calls for detailed reports of estimated expenses to be provided for in a general appropriation bill will be a valuable aid to the committees in the consideration of the respective claims of institutions and departments for money, will render their work less difficult, give greater publicity to the demands on the treasury, and tend to careful and wise legislation.

CHAPTER XI.

MUNICIPAL TAXATION.

FINANCE AND ACCOUNTS.

The government of cities is of profound interest to the people who live in them and the gravity of the questions connected with municipal charters and the administration of finances under such charters are keenly appreciated. Apprehension and anxiety over future conditions are felt by all intelligent and patriotic citizens who have carefully observed and studied the problems of their own city governments in the light of past experience.

Improvement in the present mode of taxation will depend in a large degree upon the character of the administration of municipal finance and full knowledge of the precise conditions of the finances in every city. Reform in the principles and methods of the general property tax must be accomplished through intelligent effort in cities to secure uniform and just taxation and in the wiser use of the power of expenditure and a careful exercise of the power to issue bonds.

The tax upon real and personal property is now almost entirely a tax for local purposes and with a slight increase in corporate taxation would become wholly so. The ordinary expenses of the state government are not defrayed from the taxation of general property except to a very limited extent as hereinafter stated, but almost exclusively from the taxation of corporations. The state treasury received the sum of \$2,059,138.74 from license fees from railroads, insurance companies and other corporations in 1901, and \$2,200,674.19 from the same source in 1902,¹ which is nearly sufficient to meet the expenses of the state government including all of its various institutions.

¹Vide, p. 262.

The wants of the cities are multiplying rapidly. To secure the revenue to satisfy those wants resort must be had to higher taxation or increase of bonded indebtedness to meet the requirement for new improvements. The assessment of property more nearly at the cash value in compliance with law within the last two years has increased the aggregate of taxable property to an extent that in many cities will furnish an opportunity for largely increased indebtedness. The constitutional debt limit of five per cent. of the assessed value of taxable property no longer stands as a safeguard against extravagant or unnecessary indebtedness.

It does not seem practicable to fix a tax rate or a lower debt limit which can be applied uniformly to all cities without seriously crippling some of them and possibly prevent necessary improvements for several years. Under the former practice of valuing property for taxation the need of revenue became so urgent in a few cities that the only method of securing the requisite funds was to increase the assessed valuation of property. The result has been that the assessment in several cities for a number of years has been raised to nearly the true value of all taxable property within the municipalities. To reduce the debt limit from five per cent to two and one-half or three per cent might be desirable for some cities while as to those last referred to it would produce serious hardship and stop all progress in the development of such cities. The conditions in the various cities of the state are such that a fixed uniform limitation upon municipal indebtedness at less than five per cent does not appear practicable at the present time. A further investigation and study of this problem may furnish a guide for the establishment of a limitation on the rate of taxation and debt limit which will be safe, just and reasonable for all cities.

The present outlook for good, sound municipal financing is not as encouraging as could be wished and the situation is viewed with considerable alarm by many residents of the cities. While a uniform debt limit is hardly feasible at the present time some steps toward a better system of municipal finance and accounting seem highly desirable and would operate as a salutary check on excessive taxation.

It is scarcely within the province of the commission to recommend a system of municipal government, or to discuss particular features such as the choice and power of mayors, composition of city councils, nominations or the relation of political parties to city government. Dissatisfaction with existing conditions has led in other states to much hasty and ill-considered legislation to remedy the evils complained of and there seems to be necessity for careful study of existing charter laws to determine what changes are required to secure better and more scientific municipal government. The expenditure of public funds is so intimately related to and connected with the important questions of taxation that we feel impelled to call attention to the defective methods of accounting which appear to prevail in many of the cities of the state, and to the necessity for a system of uniform accounting of receipts and disbursements.

Financial Statements of Cities.

The commission addressed a circular letter early in 1902 to the city clerks of thirty-three cities of the state, having a population of five thousand and over, asking for a detailed statement of the receipts and disbursements for the last fiscal year. The annual reports of the treasurers were also requested and were generally furnished. The circular letter calling for a statement of municipal finances contained a few simple questions which could easily be answered if a proper system of accounting was in force. From some cities with a fairly satisfactory system of accounting, the statements returned were quite accurate and intelligible, but by reason of special charter provisions and from other causes the statements of financial affairs for all the cities could not be reduced to a definite or uniform basis for comparison between the cities.

From such statements it appears that nine cities have only one fund in which is entered the receipts from all sources and from which all expenses were paid. Twelve cities report from three to eleven different funds; five from eleven to twenty funds; four from twenty-one to thirty funds; one city has thirty-seven funds and one city fifty-three different funds. In-

stances are also found which in addition to numerous city funds, two different funds for each ward appear in the report of the clerks and treasurers.

The systems of accounting are so radically different that when the statements were examined for tabulation no logical classification was possible. An attempt was made to compile the statistics as embraced in the statements, but the result proved that no definite conclusions can be reached upon the most important branches of municipal administration under the methods of accounting now in use. The receipts from the general property tax were not in all cases separated from other receipts. The total state, county and local taxes are occasionally reported as municipal taxes. The receipts from loans and the transfers and re-transfers of funds from one account to another were so intermingled with other items in the statement that classification was unsafe. Ward funds were in some cases not separable from the general fund.

The expenditures for poor relief, police, justice, fire department, lighting, sewerage disposal, streets and bridges, schools, libraries, public buildings, permanent improvements, and special assessments, could not be compiled to make intelligent comparison between cities under similar conditions and with like population.

The principal source of income for municipalities is from the general property tax, which according to the statistics, varies in the different cities from 35 to 92 per cent of the total income. In seven cities it ranges from 50 to 60 per cent; in six, between 60 and 70 per cent; in five, from 70 to 80 per cent; in five, between 80 and 90 per cent; and in one above 90 per cent of the total income. The liquor licenses vary from less than one per cent to twenty per cent of the total income. Until a more uniform system of accounting is prescribed for cities, statistics of receipts and expenditures to exhibit the cost of service in the several branches of city government will not be obtainable.

Statistics of Municipal Taxation.

The best information that can be offered in the present condition of affairs is to give the aggregate taxes levied on all the

general property for local purposes for a series of years to show the general trend of taxation in the cities.

From the reports of the secretary of state is compiled the following table of taxes for the period of eleven years from 1891 to 1901 inclusive, except for the years 1892 and 1894 for which no data can be obtained as to local taxes.

State, County and Local Taxes, and Special Charges, Levied in State of Wisconsin for years 1891 to 1901, both inclusive.

Years.	Total state tax exclusive of special charges.	Total county taxes including special charges for charitable and penal institutions levied with state tax.	Total town, city, village and school district taxes including special charges for school dist. and special loans levied with state tax.	Grand total.
1891.....	\$988,886 15	\$3,605,229 07	\$10,060,114 13	\$14,654,229 35
1892.....	1,018,720 00			
1893.....	1,018,720 00	3,873,228 40	10,852,711 07	15,744,659 47
1894.....	1240,000 00			
1895.....	1,372,713 00	4,411,954 36	10,776,721 02	16,561,388 38
1896.....	1,195,070 00	4,373,888 55	10,769,896 96	16,338,855 51
1897.....	1,995,070 00	4,185,276 27	10,815,830 66	16,996,176 93
1898.....	1,492,570 00	4,049,167 57	11,349,527 64	16,891,265 21
1899.....	1,340,570 00	4,113,779 38	11,758,526 62	17,212,876 00
1900.....	1,345,570 00	4,326,822 82	13,465,439 53	19,137,832 35
1901 ²	2,257,854 00	4,462,016 94	13,343,764 51	20,063,635 45

¹ Transferred from general fund in lieu of taxes, levy of 1894, \$732,570.

² One mill tax increased \$806,284 on account of valuation of property in state by state board of assessment, at \$1,436,284,000.

From the foregoing table it will be noticed that there has been a gradual increase in local taxation during the period for which the statistics are given. Towns and villages being included in the total, the increase in city taxation cannot be determined with accuracy, but as the expenses of towns and

smaller villages are more closely watched and scrutinized than in the larger municipalities, the fair inference is that the greatest proportion of increase comes from the cities. There is a striking increase from 1891 to 1901 of 24 per cent., which largely exceeds the percentage of increase in population. The most significant fact in the table is the great proportion of county and local taxes over those raised for state purposes, and when the state taxes are analyzed, the vast importance of the local burden will more clearly appear. It should be understood that the principal part of what is levied and collected by the state as a state tax in form, is not for the purpose of meeting expenses of the state government proper or of any of its departments, but is returned to the towns, cities and villages of the state for local purposes, the state being merely an agency for the collection and re-distribution of the funds.

From the sum of \$2,257,854, called a state tax for the year 1901, there should be deducted the one mill tax of \$1,436,284 which is levied upon the value of property throughout the state as determined by the state board of assessment, and apportioned to towns, cities and villages according to the number of children of school age. Constituting a part of the state tax is also the sum of \$109,459; interest on state certificates of indebtedness held in the school fund which is levied on the property in the state according to valuation and apportioned in the same manner as the one mill tax. The further sum of \$100,000 for free high schools and \$60,000 for graded schools is likewise returned to the localities and expended under the supervision of local officers. Thus, of the state tax so called, the sum of \$1,705,743 is returned to the local subdivisions and is expended under the direction of local officers. The balance of \$552,111 remaining of the state tax is disposed of as follows:

University fund income	\$296,770
Agricultural college fund income	4,242
Normal school fund income	251,099

The \$1,705,743 should be added to \$13,343,764.51, amounting to \$15,049,507.51, which is actually expended under the supervision and direction of local officers. The proportion of

the general property tax of \$20,063,635.45 directly applied to state purposes as above shown is only 2.75 per cent, to county purposes including the school tax, 22.24 per cent, and to towns, cities and villages, 75.01 per cent.

To recapitulate: Less than three per cent of the general property taxes collected in the state is expended for state purposes; twenty-two per cent by counties for county purposes, and seventy-five per cent for local purposes in towns, cities, villages and school districts.

The county board at the annual meeting is required to determine the amount to be raised by tax in each town for the support of the common schools therein for the ensuing year which should not in any town be less than the amount apportioned to such town in the last apportionment of the income of the school fund.¹ Included in the amount reported in the table as county taxes, is the so-called county school tax, which is returned to towns, cities and villages for the support of schools. Of the county taxes reported in 1901 at \$4,462,016.94 the amount of county school tax included in such aggregate was approximately \$816,278, or 18.29 per cent of the whole county tax and 4.06 per cent of all the taxes levied in the state.

It will be seen that the property tax is almost exclusively of local importance when it is understood that ninety-seven per cent of the taxes collected is directly expended by county and local officers. The citizens are, therefore, vitally interested in having full information of the entire municipal expenses and they should have knowledge of the accounts of their own city and other cities in the state to compare with their own to see whether their officers are managing affairs in an economical manner. This information is not obtainable under the present methods of accounting in the cities of the state.

It is very clear that a more rational system of accounting should be prescribed for officers receiving and disbursing over three-fourths of the taxes collected from the property in the state.

Such a system is essential to the prudent management of municipal affairs, and it is due to the citizens who pay over 75 per cent of their taxes for the support of municipal govern-

¹ Section 1074, Stat. 1898.

ment, that they should be informed of the expenses of every branch of the local government. The officers are generally honest and desire to properly perform their duties. The changes, however, are frequent and are constantly bringing new and inexperienced men into office without knowledge of approved systems of accounting and who fall into and adopt the methods of their predecessors.

Systems in Other States.

Other states have already taken steps in the direction of better accounting and good results are reported. The governor of Wyoming in his message of 1901 states: "Under the careful supervision and instruction of the state examiner, the expense of maintaining county governments has decreased from \$412,000 in 1892 to \$295,000 in 1899,"—a decrease of over 28 per cent in seven years, notwithstanding the business of the various offices was rapidly increasing in those years. In the Province of Ontario, where a system of accounting and auditing is in force, it is reported losses to the amount of \$100,000 were discovered in 1897, \$11,000 in 1898, \$4,000 in 1899, and nothing in 1900.

Ohio in 1902 passed an act to create a bureau of supervision of public offices and to establish a uniform system of public accounting, auditing, and reporting, under the administration of the auditor of the state.¹

Section 2 of said act states the main features of the system as follows:

"The auditor of the state through said bureau shall formulate, prescribe and install a system of accounting and reporting, in conformity with the provisions of this act, that shall be uniform for every public office and every public account of the same class, and which shall exhibit true accounts and detailed statements of funds collected, received and expended for account of the public for any purpose whatever, and by all public officers, employes or other persons, such accounts to show the receipt, use and disposition of all public property, and the income, if any, derived therefrom, and of all sources of public income and the amounts due and received from each source, all receipts, vouchers and other documents kept, or that may be required to be kept, necessary to isolate and prove the validity of every transaction, and all statements and reports,

¹ Acts of Ohio, 1902, p. 511.

made or required to be made, for the internal administration of the office to which they pertain, and all reports published, or that may be required to be published, for the information of the people, regarding any and all details of the financial administration of public affairs."

Separate accounts are to be kept for every appropriation fund made by a taxing body. Separate accounts are also to be kept of public service industries to show entire cost of ownership and operation and the amounts collected annually by taxation and from private consumers. The expense of maintaining and operating the bureau is to be paid by the several counties in proportion to the population of each, and the expense of auditing public accounts shall be paid by each taxing body for the audit of all accounts under its jurisdiction. The auditor is authorized to levy and collect a tax from counties for maintaining the bureau and from taxing bodies for the expenses of auditing their public accounts.

The inaugural address of Governor Bates of Massachusetts in January, 1903, presents the benefits of a uniform system so admirably that the following extract is presented for consideration:

"Uniformity in city government is to be desired. General laws based on the experience of municipalities in the past would be of benefit to all. There should be provision by which each municipality could profit from the experience of the others. It has recently been brought forcibly to the public attention that there is no uniform system of municipal accounting in this commonwealth such as would permit the contrasting of the expenses of one municipality for a given purpose with those of another for the same purpose, thereby revealing extravagance, if such existed, and tending to encourage more economical administration.

"A law which would provide for such uniformity in the keeping of the accounts as would render possible such comparison would be of great benefit. Through the publicity which such a system would make possible, not only would greater economy be effected, but also useful knowledge would be obtained bearing upon the problems of municipal industries such as furnish water, gas and electricity. I may also add that the adoption of such a system would tend to the advantage of the municipalities in the matter of their credit, which would appear in the reduced rates at which bonds might be issued.

"Good results have been derived from the laws in this state providing for a uniform system of accounting under which reports are made to the controller of county accounts.

"Uniform municipal accounting is but another step in the same direction. I trust you may find it possible to take favorable action along this line. This need not result in the establishment of a new department, but should properly be made a part of the state auditor's department."

RECOMMENDATIONS.

Numerous defects and inconsistencies in the existing laws have come to the attention of the commission in the course of the supervision and administration of the assessment of property throughout the state during the past two or three years, which should be cured by amendments. A discussion of the several laws needing correction would seem unnecessary. The commission have noted many changes deemed essential to make the assessment laws more harmonious and efficient, which will be embodied in one or more bills to be submitted to the committees of the legislature.

Upon the subjects of taxation discussed in the report which have received the most careful consideration of the commission, the following recommendations are submitted:

(1) That the law imposing a tax of one mill on each dollar of the assessed valuation of the taxable property as determined by the state board of assessment for the common school fund income be changed to a specific appropriation of a stated amount for that purpose. In the event a specified appropriation is not made, then the *one mill* tax should be limited to \$700,000 annually for the ensuing biennial period.

(2) That the power of assessing the property of express, sleeping car, equipment and freight line companies by virtue of Chapters 111, 112, 113, and 114, Laws 1899, be transferred from the secretary of state, state treasurer and attorney general, and vested in this commission as the state board of assessment.

(3) The passage of an act for the taxation of gifts, inheritances, devises, bequests and legacies, in conformity with the law proposed in Chapter IV of this report.

(4) That all existing laws requiring and providing for the

assessment and taxation of credits as property or for exemption from assessment on account of debts owing, be repealed, but leaving in full force and effect the existing laws for the taxation of the shares of stock of banking corporations, capital of private bankers, and the taxation of trust companies and all other corporations or organizations representing moneyed capital.

(5) That the value of railway property be ascertained and determined by a state board with requisite powers and that taxes be levied on such valuation at the average rate of taxation throughout the state, such taxes to be paid into the state treasury for the use of the state. The said board should also be the state board of assessment to ascertain and determine the valuation of the general property of the state as the basis for the apportionment and levy of state taxes among the several counties of the state.

(6) That the laws for the assessment of the shares of stock of state and national banks and the capital of private banks be made more definite and certain by amendment. That from the cash value of the shares of stock of an incorporated bank there be deducted the assessed value of such real estate as shall be necessary for its immediate accommodation for a banking house in the convenient transaction of its business. No other real estate owned by a banking corporation should be deducted from the value of the shares of stock.

(7) That the tools of mechanics and others, and the other classes of property specified in Chapter IX be exempt from taxation.

(8) That the state adopt a system requiring all departments, institutions and officers to file with the governor of the state thirty days prior to each session of the legislature, an estimate of the appropriations which will be required for the ensuing biennial period, and that the appropriations therefor be included in one legislative act.

MR. HAUGEN'S DISSENTING VIEWS ON THE DISCUSSION OF THE SUBJECT OF CREDITS.

I agree as to all of the foregoing report except so much thereof as treats of the taxation and recommends the exemption of credits. I dissent from that part of it which recommends that credits be exempted from taxation, my reasons for such dissent being in part as follows:

First. The report itself shows that with the supervisory system provided in 1901 credits have been assessed more fully in 1902 than ever before, and I cannot agree to the prediction made in the report that this standard will not be maintained. On the contrary I believe that with the experience gained and with a better knowledge of the law and the means of its enforcement, assessors and supervisors of assessments will make much fuller assessments of credits in the future. The effort made under the legislation of 1901 and the expenditures incurred would be almost entirely wasted were the recommendations of the report to be enacted into law at the present time.

The legislature of 1901 made it the duty of the commissioner to exercise general supervision over assessing officers "to the end that all the taxable property in the state shall be placed on the assessment rolls at the true cash value." Under section 1036. Stat. 1898, as amended by chapter 346, 1899, then and now in force, the term "personal property" included "all debts due from solvent debtors, whether on account, note, contract, bond, mortgage or other security, or whether said debts are due or to become due." It was largely, I believe, for the purpose of reaching this class of personal property that the office of county supervisor of assessments was created and his term of service fixed at three years in order that a more systematic effort than had previously prevailed might be made to place

all kinds of property, including credits, on the assessment rolls. The proposition of the report to abandon the work thus laid out after only one year's trial, which is shown to have been at least to some extent successful, is premature.

Second. I do not agree to the broad proposition that credits are not property. There seems to be a difference of opinion among economists on the subject.

Third. No state has as yet exempted credits and the step would be without precedent in this country.

Fourth. The claim made by Prof. Plehn, cited in the report, that the entire burden of the tax on credits is shifted to the debtor, is a subject of controversy at the present time in California, as I am informed. Prof. Seligman, of Columbia University, a leading, if not the leading authority on the subject of taxation in this country, says in his work, "Incidence of Taxation," p. 187:

"Other things being equal, the more general the tax, the narrower the taxless field to which the person concerned can migrate; the less general the tax, the greater the chance that the tax will be shifted."

Fifth. It may be true as the report states that "direct taxation of credits as property has long been abandoned in nearly every civilized country except the states of the American Union."

The report does not specify the countries referred to. I have to some extent examined consular reports made to the state department at Washington and published in 1888 on the subject of taxation, and as far as my investigation goes I have failed to find a single country which does not in some manner impose a tax on the creditor either in the form of an income tax or in some other way. They have substituted the creditor for the credit. Before exempting credits it certainly seems reasonable that a thorough investigation should be made in order to ascertain whether some method of reaching the creditor would not be as practicable here as elsewhere. This feature of the question the report entirely ignores.

NILS P. HAUGEN,
Second Ass't Com'r of Taxation.

LICENSE FEES PAID BY CORPORATIONS.

The following tables show the amount paid into the state treasury by the corporations taxed under the license fee and other special systems of taxation for the years 1899 to 1902:

	1899.	1900.
Steam Railway	\$1,358,091 46	\$1,546,720 69
Street Railway	4,915 82	8,322 06
Telegraph	11,199 60	11,312 15
Telephone	17,314 74	21,389 37
Life, Casualty, etc., Insurance	265,332 93	301,250 19
Fire Insurance	120,648 43	128,845 17
Title Guaranty .....	.....	.....
Trust, Annuity, etc.	2,317 01	2,261 50
Plank and Toll Roads	606 00	524 85
Boom and Dam .....	.....	.....
Express	7,247 01	7,339 60
Sleeping Car	949 40	16,900 31
Freight Line	850 50	195 34
Equipment	660 53	811 85
	<u>\$1,790,133 43</u>	<u>\$2,045,873 08</u>

	1901.	1902.
Steam Railways	\$1,600,379 79	\$1,711,900 13
Street Car and Electric	9,323 62	10,029 07
Telegraph	11,507 35	11,721 80
Telephone	25,224 32	31,775 80
Life Insurance (N. W. Life)	243,185 27	253,171 45
Life Insurance	22,699 77	38,357 52
Accident	10,322 51	12,218 98
Fire	107,872 91	115,474 64
Title Guaranty .....	.....	.....
Loan and Trust	2,487 89	2,357 43
Plank Roads	352 99	254 43
Boom and Dam	1,578 50	783 46
Express	14,084 54	4,765 80
Sleeping Car	9,145 88	6,246 05
Freight Line	973 40	1,617 58
	<u>\$2,059,138 74</u>	<u>\$2,200,674 19</u>

ANNUAL STATEMENTS
OF
RECEIPTS AND DISBURSEMENTS
OF THE
STATE OF WISCONSIN

From October 1, 1888, to September 30, 1901.

A balance sheet from books of either the secretary of state or the state treasurer would show a number of funds and accounts the receipts of which do not constitute state revenue subject to disbursement for the current expenses of state government, and for that reason the same do not appear in the accompanying statements. The funds and accounts so omitted may be classified as follows:

I. TRUST FUNDS.

These are funds which, while belonging to the state, are held by it in trust for the specific uses and purposes for which such funds were created and set apart. The income earnings only, shown in separate accounts, are subject to disbursement as provided by law. These are the School Fund, University Fund, Agricultural College Fund, and the Normal School Fund.

II. SPECIAL FUNDS.

Under this head are included accounts representing specific moneys received by the state solely for the use and benefit of

the municipalities or individuals entitled thereto, and to be distributed as provided by law. They are the Drainage, Delinquent Tax, Deposit, St. Croix & Lake Superior R. R. Deposit, Redemption, Indemnity Land, Calumet and Manitowoc Counties Indemnity, Columbia and Sauk Counties Indemnity, Menominee Indian Reservation Trespass, Allotment, Ward & Smith, and the Wisconsin R. R. Farm Mortgage Land Co., Funds.

III. SPECIAL ACCOUNTS.

In the statements herewith only the *actual* receipts and disbursements of the state are shown, while on the books of account in offices of both secretary of state and state treasurer transfers between accounts are frequently unavoidable. In considering the several accounts showing state revenue and expenses as a whole, as is done in these statements, such transfers are necessarily omitted to avoid double entry, and all receipts and disbursements are treated as if first entered directly to proper accounts. This often causes differences in detail between the statements and the accounts from which they are made, but such differences are apparent only, and disappear in final results.

To avoid such transfers, the following special accounts appearing on books of both secretary of state and state treasurer do not appear at all, as separate accounts, in the statements herewith, though the entries composing same do appear in the statements, as noted and explained below:

Ex-State Treasurers' Judgment Fund.

Derived from judgments against former state treasurers "on account of moneys received by them for use of principal during their terms of office."

Total amount received and credited to this account.... \$427,902 55
 Apportioned and disbursed under provisions of Joint
 Resolution No. 18, 1893, as follows:

General Fund	\$327,902 55
Agricultural College Fund Income	10,278 48
University Fund Income	41,936 32
Treasurer Board of Regents Normal Schools.....	47,785 20
	<hr/>
	\$427,902 55

These items appear in Statement for 1894, as receipts of the following funds:

General Fund	\$327,902 55
Agricultural College Fund Income	10,278 48
University Fund Income	41,936 32
Normal School Fund Income	47,785 20
	<hr/>
	\$427,902 55

General Fund Investments.

Loan to State Agricultural Society, authorized by Chap. 184, Laws 1893	\$30,000 00
Notes, bonds and mortgages, State Agricultural Soci- ety to E. C. McFetridge, received in part payment of judgment, pursuant to Joint Resolution No. 16, 1893	47,782 03
	<hr/>
	\$77,782 03

Transfers of above amounts appear as disbursements of the General Fund, in 1893 and 1894, on books of both secretary of state and state treasurer, and the "General Fund Investments" account is carried on books of latter officer, as shown by his published reports, until 1898. On page 38 of State Treasurer's Report for 1897-8, the account appears with a footnote stating that "action foreclosing the above securities is now pending." Subsequent disposition of the account is not shown by the published reports of either officer, but it is otherwise learned that the foreclosure action proceeded to judgment and sale of the mortgaged premises, known as the State

Fair grounds, near Milwaukee, and that such premises were bid off, and are now owned, by the state. The amount of these investments not being an *expense* of the state government, it is not entered as a "disbursement" in accompanying statements, but is carried as a portion of the General Fund balance on hand, and is represented by the State Fair ground property as an asset which is said to be ample to protect state from loss.

Hunting License Fund.

As stated in note at close of statement for 1899, the books of both secretary of state and state treasurer showed receipts of General Fund during that year, on account of hunting licenses, of \$14,951.53, disbursements \$125.00, and balance on hand, \$14,826.53. Books of both offices also show a transfer of \$14,110.63 to a separate account of such moneys, leaving \$715.90 still in General Fund. Such separate accounts, "Hunting License Fund" on secretary of state's books, and "Game Warden Fund" on treasurer's books, also agree in showing a transfer from General Fund of \$14,823.68 instead of the \$14,110.63 shown by General Fund account as above; disbursement, \$125.00, leaving the balance at close of 1899 account, \$14,698.68.

Subsequent receipts and disbursements are not entered in General Fund account at all, but are carried direct to such separate accounts, and for that reason same do not appear in statements herewith. A statement of the receipts and disbursements of Hunting License moneys, from reports of secretary of state, is therefore here given.

Balance on hand at close of 1899, as above	\$14,698 68	
Receipts for 1900	30,259 56	
Receipts for 1901	41,051 88	
Disbursements to fish and game wardens, 1900		\$37,762 56
Disbursements to fish and game wardens, 1901		33,695 47
Balance September 30, 1901		14,552 09
	<hr/>	<hr/>
	\$86,010 12	\$86,010 12

Of above balance on hand September 30, 1901, \$14,110.63 is carried in accompanying statements as part of the balance on hand in General Fund, but given as a separate item, while the \$715.90, not being included in transfer as above stated, still remains a part of the apparent balance of General Fund account.

FUNDS AND ACCOUNTS INCLUDED IN STATEMENTS.

After the omissions above explained there remain as the funds and accounts showing sources of all state revenues, and the various purposes for which same are expended, the following, the receipts and disbursements of which are shown in detail in statements herewith.

I. General Fund:

Embraces all the revenue applicable to payment of ordinary expenses of the state government. Its receipts are derived from tax on civil actions; license fees from public service, insurance and other corporations; fees from various state offices; hawkers and peddlers' licenses, sales of books, and from miscellaneous sources.

Its disbursements are such as are authorized by permanent and temporary appropriations, and by the several laws requiring the secretary of state to audit accounts.

In this fund are also included special charges against counties for support of inmates of state charitable and penal institutions levied with annual state tax, and state taxes levied pursuant to sundry statutes for specific purposes not included in ordinary expenses of state government, but which special charges and taxes, when collected, are carried into and disbursed from this fund.

II. School Fund Income:

The receipts of this fund consist of interest on School Fund investments, and on the principal due from sales of school lands, together with the one mill tax on all assessable property in the state pursuant to Sec. 1072a, Statutes 1898.

The fund is disbursed each year to the several counties in manner provided by law for distribution of the common school fund income.

III. University Fund Income:

Derived from annual tax levies provided by law, interest on university land certificates and loans, special appropriations from General Fund, United States appropriations, tuition fees, etc.

The entire fund is placed at disposal of the university board of regents by transfer to the treasurer of said board, thus balancing the account each year.

IV. Agricultural College Fund Income:

Derived from interest on agricultural college land certificates and loans. It is disposed of in same manner as University Fund income, and account balanced each year.

V. Normal School Fund Income:

Derived from interest on swamp land certificates and loans, annual tax levies pursuant to statutes, tuition fees, etc. The entire fund is placed at the disposal of the board of normal school regents, by transfer to the treasurer of said board, and the account balanced each year.

STATE DEBT.

The bonded debt of the state, created in 1861 to 1863 for the purpose of carrying on the civil war, was, several years ago, either paid or converted into certificates of indebtedness to the Trust Funds of the state under the provisions of statute now contained in Sections 258, 259 and 260, Statutes 1898. The last payment on account of said debt was one thousand dollars of war bonds paid from the General Fund on August 13, 1888. This left still unpaid of the bonded debt the sum of two million two hundred fifty-one thousand dollars (\$2,251,000) in certificates of indebtedness, which were distributed as follows:

School Fund	\$1,563,700 00
University Fund	111,000 00
Agricultural College Fund	60,600 00
Normal School Fund	515,700 00
	<hr/>
	\$2,251,000 00

None of such certificates has since been paid, nor has any change been made in above distribution thereof. Interest at seven per cent., amounting in the aggregate to \$157,570.00 per annum, is included in the annual levy of state tax and credited to the several trust fund income accounts as follows:

School Fund Income	\$109,459 00
University Fund Income	7,770 00
Agricultural College Fund Income	4,242 00
Normal School Fund Income	36,099 00
	<hr/>
	\$157,570 00

Such interest credits appear in accompanying statements as receipts of said income accounts from the annual state tax, the several amounts being entered in the statements for each year as "Interest on certificates of indebtedness."

1889.

Statement of Receipts and Disbursements of the State of Wisconsin for fiscal year ending September 30, 1889.

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
Maintaining insane hospitals....	\$117,146 07		
Maintaining ind school for boys	10,052 55		
Free high school	50,000 00		
Completion of state university...	200,000 00		
Ozaukee co. unpaid taxes, 1887..	10,183 09		
Pepin county unpaid taxes, 1887.	873 32		
		\$388,255 03	
Suit tax from counties.....		5,884 00	
<i>License Fees.</i>			
Railroad companies.....	\$947,772 04		
Fire insurance companies.....	59,293 88		
Life insurance companies.....	22,619 60		
Accident insurance companies...	1,097 12		
Palace and sleeping car cos.....	1,228 80		
Telegraph companies.....	7,350 73		
Telephone companies.....	4,442 38		
Hawkers and peddlers.....	16,755 50		
		\$1,060,560 05	
<i>Other Fees.</i>			
Secy. of state, miscellaneous....	\$4,862 55		
Secy. of state, notarial.....	1,890 00		
Insurance comr., insurance cos...	19,476 20		
Miscellaneous fees.....	1,546 98		
		\$27,775 73	
Refunds		430 34	
All other receipts of general fund...		20,486 90	
Total receipts of general fund			\$1,503,392 05
SCHOOL FUND INCOME.			
<i>State Tax.</i>			
One mill tax	\$373,229 85		
Int. certificates of indebtedness..	109,459 00		
Int. sec 247, R. S.....	7,088 36		
		\$689,777 21	
Interest		89,055 78	
Refund, town Honey Creek.....		39 39	
		\$778,872 38	
UNIVERSITY FUND INCOME.			
<i>State Tax.</i>			
Annual levy, c. 300, 1883.....	\$71,653 73		
Int. certificates of indebtedness..	7,770 00		
		\$79,423 73	
Interest.....		7,471 35	
Tuition fees, etc.....		21,838 62	
U. S. for experimental station.....		15,000 00	
Board of regents, bills payable for land purchased.....		10,000 00	
		\$133,833 70	

1889 RECEIPTS—Continued.

AGR. COLLEGE FUND INCOME.			
<i>State Tax.</i>			
Int. certificates of indebtedness		\$4,242 00	
Interest		10,270 26	
			\$14,512 26
NORMAL SCHOOL FUND INCOME.			
<i>State Tax.</i>			
Int. certificates of indebtedness ..	\$36,099 00		
Fifth normal school	10,000 00		
		\$46,099 00	
Interest		49,265 58	
Tuition, f es. etc.		13,184 19	
			108,548 77
Total receipts			\$2,539,159 16

DISBURSEMENTS.

GENERAL FUND.			
<i>Salaries, Clerk Hire and Exp.</i>			
Executive department	\$9,325 00		
State department	27,752 50		
Treasury department	16,365 00		
Attorney general's department ..	5,092 00		
Supt. pub. inst. department ..	9,398 03		
Railroad comr. department	6,693 30		
Insurance comr. department	4,638 90		
Supt. pub. prop. department	3,500 00		
State historical society	9,800 00		
State law library	4,564 39		
Bureau of labor statistics	9,145 20		
State land department	11,976 47		
Dairy and food department	3,490 81		
State veterinary department	3,906 68		
Pension agency department	1,657 91		
Land protection department	5,065 70		
Game wardens	3,723 02		
Fish wardens	2,175 00		
State board of supervision	13,116 39		
State board of char. and reform ..	8,139 46		
State board of health	4,705 79		
Fish culture spl. app.	14,000 00		
Supreme court	32,304 00		
Circuit courts	51,890 32		
		\$265,425 87	
<i>Legislative Expenses.</i>			
Salaries and mileage	\$128,344 88		
Printing, etc	8,991 41		
Blue book	25,095 64		
Miscellaneous expenses	6,707 07		
		\$169,139 00	

1889 DISBURSEMENTS—Continued.

<i>Charitable and Penal Inst.</i>			
Hospitals for insane.....	\$196,419 93		
Industrial school for boys.....	61,786 96		
School for deaf.....	47,972 80		
School for blind.....	21,680 18		
State public school.....	61,007 26		
State prison.....	14,396 75		
Wisconsin veterans' home.....	60,439 58		
Industrial school for girls.....	3,625 00		
		\$467,328 46	
Maintaining insane in co. hospitals.....		199,866 26	
<i>Special Appropriations.</i>			
Acct. agrl. and ind. assns.(general)	\$10,438 67		
Acct. agrl. and ind. assns.(local)...	1,787 93		
Contractors university building..	19,900 43		
Contractors state capitol.....	26,000 00		
Treas. U. of W., science hall.....	19,814 87		
Treas. U. of W., ladies' hall.....	5,000 00		
Treas. U. of W., agrl. institutes..	12,000 00		
Treas. bd. of regents, normal inst.	1,922 54		
Sundries.....	9,227 14		
		\$106,091 58	
Labor about capitol.....		40,306 51	
Printing, publishing and adv.....		81,089 65	
<i>Militia.</i>			
Adjutant general's office.....	\$21,063 32		
Quartermaster's department.....	1,994 95		
Miscellaneous expenses.....	40,634 44		
		\$63,692 71	
Compiling war record.....		17,400 96	
Stationery and postage.....		15,098 68	
Gas and fuel.....		16,133 41	
Incidental expenses.....		17,726 18	
County agricultural societies.....		15,328 79	
Bounty on wild animals.....		7,985 00	
Miscellaneous expenses, gen. fund..		27,072 14	
Free high schools (sec. 496, R. S.) ..		25,000 00	
Free high schools (ch. 352, L.1. 1885)		1,303 30	
Total disb. of general fund.....			\$1,535,988 50
SCHOOL FUND INCOME.			
Apportionment to counties.....		\$779,875 41	
Treas. sch fund, excess int. to cr.			
loans Oneida and Lincoln cos ..		1,307 29	
Refunded for overpayments.....		161 83	
			\$781,344 53
UNIVERSITY FUND INCOME.			
Treasurer state university.....		\$132,665 07	
Prem. and int., Vernon co. bonds...		1,153 42	
Refunded for overpayments.....		15 21	
			\$133,833 70

1889 DISBURSEMENTS—Continued.

NORMAL SCHOOL FUND INCOME.			
Treas. bd. normal school regents.....	\$108,294	38	.....
Treas. Normal school fund.....	139	91	.....
Interest Richland Center bonds.....	86	11	.....
Refunded for overpayments.....	28	37	.....
			\$108,548 77
AGR. COLLEGE FUND INCOME.			
Treas. state university.....	\$14,486	46	.....
Refunded for overpayments.....	25	80	.....
			\$14,512 26
Total disbursements.....			\$2,574,227 76

RECAPITULATION.

Balances Oct. 1, 1888:			
General fund.....	\$304,139	09	.....
School fund income.....	26,469	92	.....
Receipts as above.....	2,539,159	16	.....
Disbursements as above.....			\$2,574,227 76
Balances Sept. 30, 1889:			
General fund.....			271,542 63
School fund income.....			23,997 78
	\$2,869,768	17	\$2,869,768 17

1890.

Statement of Receipts and Disbursements of the State of Wisconsin for fiscal year ending September 30, 1890.

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
Free high schools	\$50,000 00		
Maintaining insane hospitals..	127,002 95		
Maintaining industrial school for boys	10,334 28		
Burnett co. unrep'd tax 1888 and int.	1,642 04		
		\$188,979 27	
Suit tax from counties.....		5,755 00	
<i>License Fees.</i>			
Railroad companies.....	1,008,559 04		
Fire insurance companies.....	60,642 93		
Life insurance companies.....	26,463 81		
Accident insurance companies...	1,905 33		
Telegraph companies.....	7,775 77		
Telephone companies.....	4,691 48		
Palace and sleeping car cos	1,365 67		
Hawkers and peddlers.....	15,084 25		
		1,126,493 28	
<i>Other Fees.</i>			
Secy. of state, miscellaneous.....	\$6,068 95		
Secy. of state, notarial.....	2,658 00		
Insurance comr. insurance co.'s.	21,358 40		
Miscellaneous.....	1,250 20		
		\$31,335 55	
Refunds		1,069 31	
All other receipts.....		18,195 94	
Total receipts of general fund..			\$1,371,828 35
SCHOOL FUND INCOME.			
<i>State Tax.</i>			
One mill tax.....	\$577,092 82		
Interest, cts. of indebtedness...	109,459 00		
Interest, sec. 247, R. S.....	7,088 36		
		\$693,640 18	
Interest.....		72,222 26	
Refund town Benton.....		34 89	
			\$765,897 33
UNIVERSITY FUND INCOME.			
<i>State Tax.</i>			
Annual levy for state university..	\$72,136 60		
Interest cts. of indebtedness...	7,770 00		
		\$79,906 60	
Interest.....		5,229 60	
Tuition fees.....		24,210 34	
U. S. for experimental station.....		18,750 00	
			\$128,096 54

1890 RECEIPTS—Continued.

AGRL. COLLEGE FUND INCOME.			
State tax, int. ctfs. of indebtedness		\$4,242 00	.....
Interest		10,244 20	.....
			\$14,486 20
NORMAL SCHOOL FUND INCOME.			
<i>State Tax.</i>			
Fifth normal school	\$10,000 00		.....
Interest ctfs. of indebtedness	36,099 00		.....
		\$46,099 00	.....
Interest		46,082 55	.....
Tuition fees, etc		14,539 02	.....
Refunds		19 67	.....
Sale of books		37 40	.....
			\$106,777 64
Total receipts			2,387,086 06

DISBURSEMENTS.

GENERAL FUND.			
<i>Salaries, Clerk Hire and Exp.</i>			
Executive department	\$9,860 00		.....
State department	27,090 00		.....
Treasury department	16,330 00		.....
Land department	15,393 00		.....
Attorney gen'l. department	5,081 50		.....
Supt. pub. instruct. dept	12,346 75		.....
Railroad comr. department	8,238 40		.....
Insurance department	4,605 31		.....
Supt. pub. property department	3,500 00		.....
Supreme court	33,822 50		.....
Circuit courts (inc. reporters)	67,365 00		.....
Historical society	9,800 00		.....
Law library	4,908 97		.....
State board of supervision	13,248 54		.....
State board of charities and re- form	7,548 88		.....
State board of health	5,823 67		.....
Bureau labor statistics	8,106 43		.....
Land protection	5,332 84		.....
Fish culture, spl. app.	11,500 00		.....
Dairy and food com.	7,424 95		.....
Veterinary department	3,460 47		.....
Fish and game wardens	5,857 95		.....
		\$286,645 16	.....
<i>Legislative Expenses.</i>			
Lieut. governor	\$1,000 00		.....
Acct. blue book	29 10		.....
		\$1,029 10	.....

1890 DISBURSEMENTS—Continued.

<i>Charitable and Penal Inst.</i>			
Hospitals for insane.....	\$240,212 34		
School for deaf.....	38,211 13		
School for blind.....	23,388 10		
Industrial school for boys.....	36,929 28		
State prison.....	8,006 79		
State public school.....	42,370 52		
		\$389,118 16	
Maintaining insane in co. hospitals.....		183,351 95	
<i>Special Appropriations.</i>			
Agri. and indus. assns.....	\$8,005 08		
Treas. state univ. agri. inst.....	12,000 00		
Treas. state univ. Washburn ob'y	6,000 00		
Treas. state univ. furnishing, etc.,			
science hall.....	7,476 17		
Treas. bd. regents Normal inst....	2,000 00		
Industrial school for girls.....	2,500 00		
Sundries.....	3,701 70		
		\$41,682 95	
<i>Militia.</i>			
Adjutant genl. office.....	\$22,946 00		
Quartermaster's dept.....	1,879 94		
Misc. expenses.....	49,173 28		
		\$73,999 22	
Labor about capitol.....		40,862 90	
Printing, pub and adv.....		23,016 62	
Stationery and postage.....		23,250 92	
Compiling war records.....		16,146 83	
Gas and fuel.....		6,874 20	
Co. agri. societies.....		27,247 55	
Incidental expenses.....		15,394 32	
Wis. vet. home, maintain'g inmates		16,475 56	
Treas. nor. school fund, $\frac{1}{2}$ ind. fund		31,733 55	
Treas. drainage fund, $\frac{1}{2}$ ind. fund.		31,733 54	
University summer school.....		1,000 00	
Bounty wild animals.....		8,049 00	
Free high schools.....		47,000 00	
Misc. expenses.....		17,907 15	
Total dis. of gen. fund.....			1,292,518 68
<i>SCHOOL FUND INCOME.</i>			
Apportioned to counties.....		\$773,679 83	
Refunded for over payments.....		127 24	
		\$773,807 07	
<i>UNIVERSITY FUND INCOME.</i>			
Treas. state university.....		\$143,047 86	
Refunded for over payments.....		5 95	
			143,053 81

1890 DISBURSEMENTS - Continued.

AGRL. COLLEGE FUND INCOME.			
Treas. state university.....		\$14,462 97	.....
Refunded for over payments.....		23 23	.....
			14,486 20
NORMAL SCHOOL FUND INCOME.			
Treas. board of regents N. S.....		\$106,766 94	.....
Refunded for over payments.....		10 70	.....
			\$106,777 64
Total disbursements.....			\$2,320,643 40

RECAPITULATION.

Balances, Oct. 1, 1889:			
General fund.....		\$271,542 63	.....
School fund income.....		23,997 78	.....
Total receipts as above.....		2,387,086 06	.....
Total disbursements as above.....			\$2,320,643 40
Balances, Sept. 30, 1890:			
General fund.....			345 895 03
School fund income.....			16,088 04
		\$2,682,626 47	\$2,682,626 47

1891.

**Statement of Receipts and Disbursements of the State of
Wisconsin for fiscal year ending September 30, 1891.**

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
Maintaining insane hospitals....	\$88,601 27		
Care chronic insane.....	38,470 14		
Industrial school for boys.....	10,409 33		
Free high schools.....	50,000 00		
		\$187,480 74	
Suit tax from counties.....		5,442 00	
<i>License Fees.</i>			
Railroad companies.....	1,140,046 64		
Telegraph companies.....	8,691 16		
Telephone companies.....	5,076 43		
Palace and sleeping car comp'ies	894 32		
Fire insurance companies.....	64,701 18		
Life insurance companies..	28,403 25		
Accident insurance companies...	3,140 04		
Savings, loan and trust companies	668 74		
Hawkers and peddlers.....	17,196 17		
		1,268,817 93	
<i>Other Fees.</i>			
Secretary of state, misc.....	\$7,120 38		
Secretary of state, notarial.....	2,362 00		
Insurance comr., ins. cos.....	22,255 50		
Miscellaneous.....	1,256 34		
		\$32,994 22	
Refunds		10,163 37	
Indemnity fund transfer.....		7,454 91	
U. S. app. to Waupaca vet. home..		8,259 10	
U. S. direct war tax.....		89,466 10	
All other receipts.....		8,145 04	
Total receipts of general fund.....			1,618,223 41
SCHOOL FUND INCOME.			
<i>State Tax.</i>			
One mill tax.....	\$592,890 72		
Interest cts. of indebtedness....	109,459 00		
Interest, section 247, R. S.....	7,088 36		
		\$709,438 08	
Interest.....		87,369 83	
Refunded direct war tax, U. S.....		23,568 57	
Refunded excess app. to counties...		574 85	
			\$820,951 33

1891 RECEIPTS—Continued.

UNIVERSITY FUND INCOME.			
<i>State Tax.</i>			
Annual levy for state university..	\$74,111 34	.....	.....
Interest ctfs. of indebtedness.....	7,770 00	.....	.....
		\$81,881 34	.....
Interest.....		7,093 52	.....
U. S. for experimental station.....		15,000 00	.....
U. S. college agr. and mech. arts..		48,000 00	.....
Tuition fees, etc.....		31,247 01	.....
			\$183,221 87
AGR. COLLEGE FUND INCOME			
State tax, int. ctfs. of inde't'ness..		\$4,242 00	.....
Interest.....		12,980 74	.....
			\$17,222 74
NORMAL SCHOOL FUND INCOME.			
<i>State Tax.</i>			
Interest, ctfs. of indebtedness....	\$36,099 00	.....	.....
Fifth normal school.....	10,000 00	.....	.....
		\$46,099 00	.....
Interest.....		56,609 07	.....
Refund direct war tax, U. S.....		44,748 91	.....
Fire loss, Whitewater nor. school ..		10,247 70	.....
Tuition fees, etc.....		12,010 39	.....
Refund.....		35 00	.....
Sale of books.....		158 52	.....
			\$169,908 59
Total receipts.....			2,809,527 94

DISBURSEMENTS.

GENERAL FUND.			
<i>Salaries, Clerk Hire and Exp.</i>			
Executive department.....	\$8,179 13	.....	.....
State department.....	26,133 49	.....	.....
Treasury department.....	17,264 43	.....	.....
Land department.....	16,107 98	.....	.....
Attorney general department.....	4,848 00	.....	.....
Supt. pub. ins. department.....	12,881 59	.....	.....
R. R. commissioner department..	7,555 51	.....	.....
Insurance department.....	4,518 00	.....	.....
Superintendent public property..	3,500 00	.....	.....
Supreme court.....	33,914 75	.....	.....
Circuit courts (inc. reporters)....	69,998 02	.....	.....
Historical society.....	8,800 00	.....	.....
Law library.....	4,765 38	.....	.....
State board of supervision.....	10,091 21	.....	.....
State board charities and reform ..	7,863 13	.....	.....
State board control.....	4,144 27	.....	.....
Labor commissioner office.....	1,206 56	.....	.....
		\$241,771 45	.....

1891 DISBURSEMENTS—Continued.

<i>Permanent Appropriations.</i>		
Bureau labor statistics.....	\$7,227 87	
State board health.....	4,913 02	
Fish culture.....	17,000 00	
Dairy and food commissioner.....	7,857 57	
Land protection.....	5,386 85	
Appr. swamp lands, Crawford Co.	548 56	
		\$42,933 87
<i>Legislative Expenses.</i>		
Salaries and mileage.....	\$117,989 50	
Contesting seats.....	3,916 00	
Sturgeon Bay canal invest. com.	1,351 87	
Blue book.....	17,350 13	
Printing.....	8,406 70	
Miscellaneous expenses.....	1,990 20	
		\$151,004 40
<i>Charitable and Penal Inst.</i>		
Hospitals for insane.....	\$221,750 70	
Industrial school for boys.....	63,449 45	
Industrial school for girls (app.)..	4,500 00	
School for deaf.....	36,817 67	
School for blind.....	23,090 85	
State prison.....	6,932 01	
State public schools.....	42,493 50	
		\$399,034 21
Labor about capitol.....		44,568 67
<i>Special Appropriations.</i>		
Agri. and indus. assns.....	\$7,224 30	
Treas. state univ. agri. institutes	12,000 00	
Treas. state univ. Washburn obs.	6,000 00	
Treas. drainage fund, ½ Ind. fund	3,917 75	
Treas. nor. school, ½ ind. fund..	3,917 74	
Treas. world's fair commission....	10,500 00	
Treas. W. vets' h., ch. 393, L. 91	17,000 00	
Callahan & Co., annot'd statutes	14,355 00	
C., St. P. M. & O. ry. lic. ref'd...	9,441 41	
Treas. board regents, N. S.....	1,938 34	
Sundries.....	6,479 00	
		\$92,773 54
<i>Militia</i>		
Adjutant general's office.....	\$18,552 70	
Quartermaster's department.....	1,879 94	
Rifle range.....	940 99	
Miscellaneous expenses.....	52,762 24	
		\$74,135 87
Printing, publishing, advertising..		69,464 48
Stationery and postage.....		22,955 83
Compiling war records.....		13,672 70
Gas and fuel.....		10,754 47
Maint. insane in county hospitals..		207,877 85
County agricultural societies.....		31,308 72
Deaf mute inst. in cities and vil..		7,636 83
Fish and game wardens.....		4,199 76
Incidental expenses.....		26,107 50
Wis. vets' h. exp., ch. 264, L. 1889		23,441 15
Free high schools.....		47,076 08
Bounty wild animals.....		8,782 00
Miscellaneous.....		26,579 33
Total disburs. of gen. fund.....		1,545 878 71

1891 DISBURSEMENTS—Continued.

SCHOOL FUND INCOME			
Apportioned to counties		\$807 738 92	.....
Accrued interest on bonds		6,165 04	.....
Refunded for over-payments		150 75	.....
			\$814,054 71
UNIVERSITY FUND INCOME.			
Treasurer state university		\$194,716 31	.....
Refunds		3 96	.....
			\$194,720 27
AGRL. COLLEGE FUND INCOME.			
Treasurer state university		\$17,113 02	.....
Refund		109 72	.....
			\$17,222 74
NORMAL SCHOOL FUND INCOME.			
Treasurer board of regents		\$168,711 58	.....
Refunds		7 81	.....
Premium on bonds		736 50	.....
Accrued interest on bonds		452 70	.....
			\$169,908 59
Total disbursements			2,741,785 02

RECAPITULATION

Balances October 1, 1890:			
General fund		\$345,895 03	.....
School fund income		16,088 04	.....
Total receipts as above		2,809,527 94	.....
Total disbursements as above			\$2,741,785 02
Balance sSeptember 30, 1891:			
General fund			406,741 33
School fund income			22,984 66
		\$3,171,511 01	\$3,171,511 01

1892.

Statement of Receipts and Disbursements of the State of Wisconsin for fiscal year ending September 30, 1892.

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
Maintaining insane hospitals....	\$93,064 58		
Industrial school for boys.....	9,627 89		
Care chronic insane.....	43,189 60		
Free high schools.....	50,000 00		
		\$195,882 07	
<i>License Fees.</i>			
Railroad companies.....	1,220,674 88		
Fire insurance companies.....	71,528 26		
Life insurance companies.....	30,285 53		
Accident insurance companies...	4,783 21		
Savings, loan and trust companies	748 82		
Telegraph companies.....	9,225 53		
Telephone companies.....	5,520 43		
Palace and sleeping car companies	1,214 96		
Hawkers and peddlers.....	14,267 18		
Log driving and booming cos...	3,095 13		
		1,361,343 93	
Suit tax from counties.....		6,700 00	
<i>Fees.</i>			
Secretary of state, office fees....	\$7,817 03		
Secretary of state, notary fees....	1,994 00		
Insurance com., ins. cos.....	22,856 50		
Sundries.....	780 54		
		\$33,448 07	
<i>Refunds.</i>			
O. E. Wells, state sup., clerk hire and expenses.....	\$1,631 77		
Wis. vets.' home, over-pay. cloth. account.....	500 00		
Miscellaneous.....	172 78		
		\$2,304 55	
<i>From Sundry Sources.</i>			
Indemnity fund transfer.....	\$6,140 08		
Treas. U. S., for sup. dis. soldiers	13,539 15		
Interest on bank deposits.....	14,762 81		
Miscellaneous.....	2,603 34		
		37,045 38	
Total receipts of general fund..			1,636,724 00
SCHOOL FUND INCOME.			
<i>State Tax.</i>			
One mill tax.....	\$623,859 42		
Interest cts. of indebtedness....	109,459 00		
Interest, sec. 247, R. S.....	7,088 36		
		\$740,406 78	
Interest		88,141 41	
Refunds		359 08	
			\$828,907 27

1892 RECEIPTS — Continued.

UNIVERSITY FUND INCOME.			
<i>State Tax.</i>			
9-40 mill tax, L. 1891.....	\$141,372 37		
Int. on ctfs. of indebtedness....	6,766 00		
		\$148,138 37	
Interest		8,352 06	
U. S. for experimental station.....		15,000 00	
U. S. for college agr. and mech. arts.....		18,000 00	
Students' fees and farm sales.....		29,986 62	
Sales of books' and fees.....		4,214 52	
M. M. Jackson bequest.....		461 65	
			\$224,153 22
AGR. COLLEGE FUND INCOME.			
State tax, int. ctfs. of indebtedness		\$4,242 00	
Interest		12,740 64	
			\$16,982 64
NORMAL SCHOOL FUND INCOME.			
<i>State Tax.</i>			
Int. ctfs. of indebtedness.....	\$36,099 00		
Fifth normal school.....	10,000 00		
		\$46,099 00	
Interest		63,117 77	
Tuition fees, etc.....		13,417 05	
Refunds		46 50	
Sale of books.....		116 47	
			\$122,796 79
Total receipts.....			2,829,563 92

1892 DISBURSEMENTS.

GENERAL FUND:			
<i>Salaries, Clerk Hire and Exp.</i>			
Executive department.....	\$9,057 00		
State department.....	26,407 71		
Treasury department.....	17,011 14		
Land department.....	17,019 60		
Attorney general's department....	5,260 00		
Supt. pub. inst. department....	11,895 98		
R. R. com.....	5,548 85		
Insurance department.....	1,569 19		
Supt. pub. property.....	3,500 00		
Bureau of labor statistics.....	8,009 44		
Dairy and food department.....	8,630 69		
State board of control.....	17,185 45		
State historical society.....	10,801 00		
State law library.....	3,924 72		
State veterinary department....	4,042 54		
Land prot. (ch. 320, L. 1891)....	5,833 91		
Fish and game wardens.....	1,885 50		
Supreme court.....	34,670 00		
Circuit court.....	75,600 00		
		\$270,852 72	
<i>Permanent Appropriations.</i>			
State board of health.....	\$5,245 87		
Fish culture.....	12,500 00		
App. Crawford co. swamp lands....	1,891 23		
		\$19,637 10	
<i>Legislative Expenses.</i>			
Special session, mileage, etc.....	\$4,035 20		
Lieut. governor's salary.....	1,000 00		
Printing.....	1,141 89		
		\$6,177 09	
<i>Charitable and Penal Inst.</i>			
Hospitals for insane.....	\$215,330 95		
Industrial school for boys, exp....	47,584 75		
Industrial school for girls, app....	2,500 00		
Wisconsin school for deaf.....	36,489 58		
Wisconsin school for blind.....	26,119 04		
Wisconsin state prison, exp.....	7,465 12		
Wisconsin veterans' home, exp....	27,037 72		
State public school, exp.....	47,517 00		
		\$410,044 16	
Labor about capitol.....		48,310 00	
<i>Special Appropriations.</i>			
Agri. and indus. assns.....	\$7,669 10		
Wis. vets.' home, ch. 393, L. 1891	28,382 60		
Treas. state univ. agri. institutes.	12,000 00		
Ext. Platteville and Whitewater normal schools.....	20,000 00		
Treas. bd. world's fair managers....	39,500 00		
Treas. bd. regts., teachers' inst....	2,000 00		
Treas. state univ., Washburn obs....	3,000 00		
Sundries.....	6,057 02		
		\$118,608 72	

1892 DISBURSEMENTS—Continued.

<i>Militia.</i>			
Adjutant genl. dept.....	\$17,529 00		
Quartermaster gen'l. dept.....	1,802 65		
Rifle range.....	388 13		
Miscellaneous.....	82,426 93		
		\$102,146 71	
Treas. drain. F. trans., ½ ind'y f'd.....		3,727 46	
Treas. normal S. trans., ½ ind'y F.....		3,727 45	
Printing, publishing and advertis.....		27,036 40	
Stationery and postage.....		12,909 68	
Gas and fuel.....		13,213 89	
Maintaining insane in co. hospitals.....		218,793 55	
County agricultural societies.....		32,051 84	
Deaf mute inst. in cities and villages.....		4,611 44	
Incidental expenses.....		15,562 88	
Bounty, wild animals.....		9,958 00	
Free high schools.....		48,081 42	
Miscellaneous.....		25,371 66	
Total disburs. of genl. fund.....			1,330,822 17
SCHOOL FUND INCOME.			
Apportioned to counties.....		\$825,106 30	
Premium and accrued int. on bonds.....		1,322 17	
Refunded for over-payments.....		135 63	
			\$826,564 10
UNIVERSITY FUND INCOME.			
Treas. state univ. \$236,548.65, ref'ds \$19.61.....			\$236,568 26
AGR. COLLEGE FUND INCOME.			
Treas. univ. \$16,961.95, r'ds \$20.69.....			\$16,982 64
NORMAL SCHOOL FUND INCOME.			
Treas. board of regents.....		\$122,207 72	
Premium and accrued int. on bonds.....		586 76	
Refunded for over-payment.....		2 31	
			\$122,796 79
Total disbursements.....			2,593,733 96

RECAPITULATION.

Balances October 1, 1891:		
General fund.....	\$406,741 33	
School fund income.....	22,984 66	
Total receipts as above.....	2,829,563 92	
Total disbursements as above.....		\$2,593,733 96
Balances September 30, 1892:		
General fund.....		640,228 12
School fund income.....		25,327 83
	\$3,259,289 91	\$3,259,289 91

1893.

**Statement of Receipts and Disbursements of the State of
Wisconsin for fiscal year ending September 30, 1893.**

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
For maintaining insane	\$139,723 27		
For industrial school for boys....	8,511 81		
For fifth normal school.	9,985 59		
For free high schools.....	49,927 95		
		\$208,148 62	
<i>License Fees.</i>			
Railroad companies.....	1,156,260 75		
Telegraph companies.....	9,657 62		
Telephone companies.....	11,705 71		
Sleeping car companies.....	1,193 04		
Fire insurance companies.....	84,542 27		
Life insurance companies.....	31,996 20		
Accident insurance companies...	6,112 80		
Loan and trust companies.....	1,025 85		
Log driving and boom companies.	4,187 66		
Hawkers and peddlers.....	15,228 17		
		1,321,910 07	
Suit tax from counties.....		6,559 00	
<i>Fees.</i>			
Secretary of state, office fees....	\$8,299 88		
Secretary of state, notary fees...	2,406 00		
Insurance commissioner fees.....	28,378 50		
Land commissioner fees.....	743 93		
		\$39,828 36	
U. S. appropriation Wisconsin veterans' home.....		14,711 94	
Interest on general fund balance in banks.....		12,569 08	
All other sources.....		5,587 77	
Total receipts of general fund.....			1,609,314 34
SCHOOL FUND INCOME.			
<i>State Tax.</i>			
One mill tax.....	\$653,057 00		
Int't certificates of indebtedness	109,301 18		
		\$762,358 18	
Interest.....		88,092 19	
			\$850,450 37

1893 RECEIPTS—Continued.

UNIVERSITY FUND INCOME.			
<i>State Tax.</i>			
9-40 mill tax.....	\$146,937 82		
Int'st certificates of indebtedness.....	7,758 90		
		\$154,696 72	
Interest.....		7,915 37	
U. S. for experimental station.....		15,000 00	
U. S. for agricultural college.....		19,000 00	
Students' fees, etc.....		41,558 67	
M. M. Jackson bequest.....		154 74	
			\$238,325 50
AGR. COLLEGE FUND INCOME.			
State tax, int. ctf's. of indebtedness.....		\$1,235 89	
Interest.....		13,154 21	
			\$17,390 10
NORMAL SCHOOL FUND INCOME.			
State tax, int. ctf's. of indebtedness.....		\$36,046 95	
Interest.....		65,393 40	
Drainage fund, ch. 185, laws 1893.....		70,939 02	
Donation Stevens Point N. S.....		50,000 00	
Donation Superior normal school.....		65,000 00	
Tuition fees.....		14,366 29	
Refunded over-payments.....		34 43	
			\$301,780 09
Total receipts.....			3,017,260 90

DISBURSEMENTS.

GENERAL FUND.			
<i>Salaries, Clerk Hire and Exp.</i>			
Executive department.....	\$9,018 35		
State department.....	28,356 55		
Treasury department.....	17,499 88		
Attorney general department.....	4,318 48		
Supt. pub. inst department.....	9,761 50		
Railroad com'r department.....	5,463 48		
Insurance department.....	4,314 63		
Supt. pub. property department.....	3,527 39		
Land department.....	15,568 56		
Adjutant general department.....	11,092 39		
Quartermaster gen'l department.....	2,011 74		
Bureau of labor statistics.....	9,174 65		
Dairy and food department.....	7,742 92		
State board of control.....	18,250 80		
State historical society.....	9,800 00		
State law library.....	4,426 66		
State veterinary department.....	5,743 41		
Land protection.....	2,532 97		
Fish and game warden.....	2,334 59		
Supreme court.....	34,606 50		
Circuit courts (inc. reporters).....	78,112 50		
State bd. charities and reform.....	1,034 40		
		\$284,692 35	

1893 DISBURSEMENTS—Continued.

<i>Permanent Appropriations.</i>		
State board of health.....	\$6,043 80	
Fish culture.....	13,000 00	
Teachers' institutes.....	1,444 60	
Appr'g Crawford Co. swamp l'nds	99 16	
		\$20,587 56
<i>Legislative Expenses</i>		
Salaries, mileage, etc., special session, 1892.....	\$1,705 70	
Salaries, mileage, etc., regular session, 1893.....	125,476 55	
Printing.....	6,566 45	
Blue book.....	8,879 72	
Ann. statutes for legislature.....	1,782 00	
Contesting seats.....	7,093 53	
		\$154,503 95
<i>Charitable and Penal Inst.</i>		
Hospitals for insane....	\$227,427 03	
School for deaf.....	39,497 44	
School for blind.....	33,209 39	
Industrial school for boys.....	57,300 30	
State prison.....	10,813 68	
State public school.....	40,720 09	
		\$408,967 93
Labor about capitol.....		49,067 96
<i>Special Appropriations.</i>		
Agricultural and indus. assoc'n.....	\$10,656 80	
World's fair commission.....	99,500 00	
Purchase Camp Randall.....	25,000 00	
Industrial school for girls.....	5,000 00	
Wisconsin fish commission car.....	5,000 00	
Wisconsin veterans' home.....	12,500 00	
State univ. for Washburn observ.....	3,000 00	
O. E. Wells, codifying sch. laws.....	4,285 71	
Warden's residence, st. prison.....	4,000 00	
Finishing shop, school for blind.....	2,500 00	
Heating apparatus, sch. for bl'd.....	8,000 00	
Stone sch. house ind. sch. for boys.....	6,500 00	
Agricultural institutes.....	6,000 00	
Miscellaneous.....	6,978 47	
		\$198,920 98
Militia.....		75,255 19
Wisconsin rifle range.....		2,204 59
Printing, publishing and advert'g.....		70,585 39
Stationery and postage.....		27,688 36
Incidental expenses.....		25,148 33
Gas and fuel.....		10,813 70
Ex-state treasurers' suits.....		8,248 29
Free high schools.....		47,623 45
Maintaining insane in counties.....		244,239 18
Deaf mute instruction in cities.....		5,236 10
County agricultural societies.....		31,203 91
Bounty on wild animals.....		12,778 00
Railroad maps.....		3,867 50
Wis. vets.' home, maint'ng inmates.....		31,579 73
Miscellaneous.....		33,289 10
Total disbursements general fund.....		1,746,501 55

1893 DISBURSEMENTS—Continued.

SCHOOL FUND INCOME.			
Apportioned to counties.....		\$839,996 17	
Accrued interest.....		653 25	
Refunded.....		176 65	
			\$340,826 07
UNIVERSITY FUND INCOME.			
Treasurer state university.....		\$238,319 84	
Refunded.....		5 66	
			\$238 325 50
AGRI. COLLEGE FUND INCOME.			
Treasurer state university.....		\$17,171 48	
Accrued interest.....		188 90	
Refunded.....		29 72	
			\$17,390 10
NORMAL SCHOOL FUND INCOME.			
Treasurer board of regents.....		\$306,854 38	
Accrued int'st on bonds purchased.....		821 74	
Refunded.....		41 47	
			\$309,717 59
Total disbursements.....			3,152,760 81

RECAPITULATION.

Balances October 1, 1892:			
General fund.....		\$640,228 12	
School fund income.....		25,327 83	
Total receipts as above.....		3,017,260 90	
Total disbursements as above.....			\$3,152,760 81
Balances October 1, 1893:			
General fund.....			463,041 41
General fund investments.....			¹ 30,000 00
School fund income.....			37,014 63
		\$3,682,816 85	\$3,682,816 85

¹Loan to state agricultural society under chapter 184, laws 1893.

1894.

**Statement of Receipts and Disbursements of the State of
Wisconsin for fiscal year ending September 30, 1894.**

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
For maintaining insane	\$153,257 47		
For fifth normal school	10,014 41		
For industrial school for boys ..	8,078 53		
For free high schools	50,072 05		
		\$221,422 46	
<i>License Fees.</i>			
Railroad companies	1,438,758 66		
Sleeping car companies	1,223 39		
Telegraph companies	9,935 71		
Telephone companies	9,716 29		
Fire insurance companies	90,075 59		
Life insurance companies	33,744 04		
Accident insurance companies ..	6,111 42		
Loan and trust companies	1,902 84		
Log driving and boom companies.	1,579 11		
Hawkers and peddlers	12,841 95		
		1,605,889 00	
<i>Fees.</i>			
Secretary of state, office fees	\$6,372 57		
Secretary of state, notary fees	2,771 00		
Insurance commissioner	20,669 00		
Land commissioner	917 50		
Commissioners of deeds	250 00		
		\$30,980 07	
Suit tax from counties		7,903 00	
Ex-state treasurer's judgments		327,902 55	
Interest, gen. fund bal. in banks		14,178 13	
U. S., for maintaining inmates Wis.			
veterans' home		12,662 21	
All other sources		5,226 82	
Total receipts of general fund			\$2,226,164 24
SCHOOL FUND INCOME.			
<i>State Tax.</i>			
One mill tax	\$654,943 00		
Int. on certificates of indebtedn's ..	109,616 82		
		\$764,559 82	
Interest		97,978 65	
Washburn county penalty		110 08	
Refunds		67 85	
			\$862,716 40

1894. RECEIPTS — Continued.

UNIVERSITY FUND INCOME.			
<i>State Tax.</i>			
9-40 mill tax	\$147,362 18		
Int. on certificates of indebtedn's	7,781 10		
		\$155,143 28	
Interest		6,571 02	
U. S., for experimental station.....		15,000 00	
U. S., for agricultural college.....		20,000 00	
Students' fees		48,733 72	
Ex-treasurers' judgments.....		41,936 32	
M. M. Jackson, bequest.....		25 00	
Washburn county penalty.....		22 31	
			\$287,431 65
AGR. COLLEGE FUND INCOME.			
State tax, int. on cfts. of indebt'n's		\$4,248 11	
Interest		13,301 75	
Ex-treasurers' judgments.....		10,278 48	
Washburn county penalty.....		62	
			\$27,828 96
NORMAL SCHOOL FUND INCOME.			
State tax, int. on cfts. of indebt'n's		\$36,151 05	
Interest		69,853 75	
Ex-treasurers' judgments.....		47,785 20	
Tuition fees.....		13,268 60	
Overpayments refunded		152 47	
Washburn county penalty.....		5 21	
			\$119,431 08
Total receipts			\$3,523,572 33

DISBURSEMENTS.

GENERAL FUND.			
<i>Salaries, Clerk Hire and Exp.</i>			
executive department.....	\$7,683 00		
State department	28,310 00		
Treasury department.....	17,159 98		
Attorney-general department.....	5,500 00		
Superintend't pub. instruct. dept.....	9,863 67		
Railroad department.....	4,894 96		
Insurance department.....	4,847 54		
Superintend't pub. prop. dept	3,520 54		
Land department	13,402 15		
Adjutant-general department.....	9,103 03		
Quartermaster-general departm't	2,900 89		
Bureau of labor statistics.....	8,448 47		
Dairy and food department.....	7,971 99		
State board of control.....	18,578 05		
State historical society.....	9,499 00		
State library.....	3,770 52		
State veterinary department.....	4,697 01		
Land protection.....	6,148 89		
Supreme court.....	34,251 75		
Circuit courts (inc. reporters).....	78,116 80		
		\$278,668 24	

1894 DISBURSEMENTS — Continued.

<i>Permanent Appropriations.</i>			
State board of health	\$5,668 80		
Fish culture	13,000 00		
Teachers' institutes	1,311 54		
		\$19,980 34	
<i>Legislative expenses.</i>			
Lieutenant governor	\$500 00		
Printing	105 21		
Blue book	100 00		
		705 21	
<i>Charitable and Penal Institut's.</i>			
Hospitals for insane	\$216,090 17		
School for deaf	39,938 43		
School for blind	25,523 45		
Industrial school for boys	54,458 97		
State prison	28,829 34		
State public school	37,538 12		
		402,378 48	
Labor about capitol		48,872 10	
<i>Special Appropriations.</i>			
Agri. and indus. associations	\$7,750 00		
World's fair commission	9,530 33		
Agri. institutes, ch. 62, laws 1887 (to treas. state univ.)	18,000 00		
Industrial school for girls	2,500 00		
Nor. hospital for insane, roofing, ch. 152, laws 1893	1,000 00		
State prison	26,000 00		
Stone school house, indus. school for boys, ch. 152, laws 1893	11,500 00		
Treas. state uni., ch. 280, l's 1893.	140,000 00		
Sch. for blind, heating apparatus	5,600 00		
O. E. Wells, codifying sch. laws, ch. 178, laws 1893	2,142 84		
Wis. vet. home, ch. 248, laws 1893	5,000 00		
Miscellaneous	2,408 60		
		231,431 77	
Militia		97,975 82	
Wis. rifle range		3,942 61	
Printing, publishing and advertis'g		24,455 47	
Stationery and postage		21,631 96	
Incidental expenses		14,701 26	
Gas and fuel		10,276 23	
Free high school		47,402 91	
Transient labor		11,289 87	
Treasury agent		2,972 72	
State fish and game warden		3,342 49	
Real estate returns		1,842 02	
Maintaining insane in counties		270,780 30	
Deaf mute instruction in cities		9,315 37	
County agricultural societies		27,374 30	
Bounty, wild animals		13,068 00	
Wis. vet. home, maintain'g inmates		39,107 99	
Indemnity fund, transfer rect's 1892		6,140 08	
Miscellaneous		9,110 30	
Total disbursements of gen. f'd.			\$1,596,765 84

1894 DISBURSEMENTS — Continued.

SCHOOL FUND INCOME.			
Apportioned to counties.....		\$867,998 50	
Refunded.....		64 92	
			\$868,063 42
UNIVERSITY FUND INCOME.			
Treasurer state university.....		\$312,039 40	
Refunded.....		34 32	
			312,073 72
AGR. COLLEGE FUND INCOME.			
Treasurer state university.....		\$27,822 13	
Refunded.....		6 83	
			27,828 96
NORMAL SCHOOL FUND INCOME.			
Treasurer board of regents.....		\$162,114 80	
Refunded.....		16 28	
			162,131 08
Total disbursements.....			\$2,966,863 02

RECAPITULATION.

Balances October 1, 1893:		
General fund.....	\$163,041 41	
General fund, investment.....	30,0 0 00	
School fund income.....	37,014 63	
Total receipts as above.....	3,523,572 33	
Total disbursements as above.....		\$2,966,863 02
Balances September 30, 1894:		
General fund.....		977,315 71
General fund, investments.....		77,782 03
School fund income.....		31,667 61
	\$4,053,628 37	\$4,053,628 37

1895.

Statement of Receipts and Disbursements of the State of Wisconsin for fiscal year ending September 30, 1895.

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
For maintaining insane.....	\$159,712 69		
For industrial school for boys....	7,721 63		
For free high schools.....	50,000 00		
		\$217,437 32	
<i>License Fees.</i>			
Railroad companies.....	1,175,752 52		
Sleeping car companies.....	503 80		
Telegraph companies.....	9,999 45		
Telephone companies.....	9,838 99		
Fire insurance companies.....	88,556 72		
Life insurance companies.....	36,457 75		
Accident insurance companies ..	6,560 13		
Loan and trust companies	2,598 33		
Log driving and boom companies	1,176 92		
Hawkers and peddlers	19,663 68		
		1,351,108 29	
Suit tax from counties		7,728 00	
Charitable and penal institutions, ch. 202, L. 1895		34,486 36	
U. S., for maintaining inmates			
Wisconsin veterans' home.....		22,310 34	
<i>Fees.</i>			
Secy. of state, office fees.....	\$7,722 19		
Secy. of state, notary fees.....	2,966 00		
Bank examiner's fees.....	365 00		
Insurance commissioner, fees....	28,471 91		
Land commissioner, fees.....	1,000 39		
Commissioner of deeds, fees.....	30 00		
Supt. public prop'ty, sale of books	741 87		
State supt., sale of books.....	746 55		
Income penalty	755 30		
		\$42,799 21	
Refunds charitable and penal insti- tutions		49,252 71	
Interest general fund, bal. in banks		9,685 78	
All other sources		4,001 49	
Total receipts of general fund			\$1,738,809 52
SCHOOL FUND INCOME.			
State tax, int. cts. of indbt'dness..		\$109,459 00	
Interest.....		99,227 90	
Refund.....		31 92	
			\$208,718 82

1895 RECEIPTS—Continued.

UNIVERSITY FUND INCOME.			
State tax, ctfs. of indebtedness.....		\$10,200 00	.....
Interest.....		8,247 90	.....
U. S. appropriation for experi- mental station.....		15,000 00	.....
Students' fees.....		64,156 16	.....
			\$97,604 06
AGRI. COLLEGE FUND INCOME.			
State tax, interest ctfs. indebtedness.....		\$4,242 00	.....
Interest.....		12,608 39	.....
U. S. appropriation.....		21,000 00	.....
			\$37,850 39
NORMAL SCHOOL FUND INCOME.			
<i>State Tax.</i>			
Int. ctfs. indebtedness.....	\$36,099 00		.....
1-20 mill tax.....	30,000 00		.....
		\$66,099 00	.....
Interest.....		65,856 33	.....
Tuition fees.....		16,051 34	.....
Refunds.....		600 29	.....
			\$148,606 96
Total receipts.....			\$2,281,589 75

1895 DISBURSEMENTS.

GENERAL FUND.			
<i>Salaries, Clerk Hire and Exp.</i>			
Executive department.....	\$8,704 91		
State department.....	33,008 24		
Treasury department.....	18,346 11		
Attorney-general department....	5,277 40		
State superintendent.....	9,440 63		
Railroad department.....	5,597 91		
Insurance department.....	5,538 36		
Land department.....	17,319 49		
Bank examiners' department....	2,554 96		
Deep channel com. department....	300 00		
Supt. public property department..	3,514 53		
Adjutant-general department....	9,290 44		
Quartermaster-general departm't	3,116 78		
Bureau of labor statis'ics.....	8,550 77		
Dairy and food department.....	9,261 94		
State board of control departme't	18,075 99		
State historical society.....	10,101 00		
State law library.....	4,061 16		
State veterinary department.....	4,755 56		
Land protection.....	3,061 36		
Fish and game warden.....	4,801 66		
Supreme court.....	35,693 94		
Circuit courts (inc. reporters)...	77,951 03		
State board of health.....	5,506 44		
Fish culture.....	12,000 00		
State census.....	76,814 87		
Teachers' institutes.....	759 68		
Forest warden.....	50 94		
State board of arbitration.....	171 25		
State board of immigration.....	1,205 04		
		\$394,862 39	
<i>Legislative Expenses.</i>			
Salaries, mileage and expenses....	\$127,474 33		
Annotated statutes.....	1,710 00		
Printing.....	7,829 70		
Blue book.....	24,409 95		
		\$161,423 98	
<i>Charitable and Penal Inst.</i>			
Hospitals for insane.....	\$250,962 39		
School for deaf.....	41,050 58		
School for blind.....	30,478 84		
Industrial school for boys.....	74,161 00		
State prison.....	87,389 97		
State public school.....	47,036 47		
		\$531,089 25	
Labor about capitol.....		49,916 59	

1895 DISBURSEMENTS—Continued.

<i>Special Appropriations.</i>			
Agri. & industrial associations...	\$8,710 03		
Wis. vet. home, ch. 248, L. 1893 and ch. 281, L. 1895	30,000 00		
Indus. sch for girls, ch. 51, L. 1895	17,500 00		
Codifying school laws	2,946 45		
Treas. board regents account 5th normal school	2,500 00		
Treas. state univ. 1 pr ct. license tax, ch. 282, L. 1889	11,954 70		
Treas. state univ. Washb. observa.	3,000 00		
Miscellaneous	4,557 95		
		\$81,169 13	
<i>Miscellaneous Expenses.</i>			
Wisconsin veterans' home	\$19,484 12		
Furnit'e sen. and asse'bly cha'ber	3,674 00		
Transient labor	10,341 26		
Incidental expenses	15,730 85		
Printing and advertising	29,949 05		
Publishing laws	46,937 05		
Stationery and postage	17,937 26		
Gas and fuel	9,771 04		
National guard	89,933 38		
Ex-state treasurers' suits	9,424 59		
Free high schools	47,600 08		
Maintaining insane in counties ..	301,796 80		
Deaf mute instruction in cities ..	10,372 34		
Bounty on wild animals	11,587 00		
County agricultural societies	30,565 74		
Aid to fire sufferers	9,980 06		
Treasury agent	5,078 60		
Apportioned to counties acct. sch. fund income:			
Trans. in lieu of tax's \$600,000 00			
Int. loan to gen. f'nd 94 52			
	600,094 52		
Treas. state university:			
Trans in lieu of taxes \$132,570 00			
Int. loan to gen. f'nd 24 38			
	132,594 38		
Treas. board of regents:			
Interest, loan to general fund ..	181 82		
Sundries	27,981 45		
		1,511,045 39	
Total disbursements, gen. fund			\$2,679,506 73
SCHOOL FUND INCOME.			
Apportioned to counties	\$805,225 74		
Less general fund, acct. above.	600,094 52		
		\$205,131 22	
Return penalty		1,087 77	
Refunds		249 24	
			\$206,468 23

1895 DISBURSEMENTS—Continued.

UNIVERSITY FUND INCOME.			
Treas. state university.....	\$245,081 98		
Less gen'l fund, acct. spec. app.	147,524 70		
		\$97,557 28	
Refunds		46 78	
			\$97,604 06
AGRI. COLLEGE FUND INCOME.			
Treas. state university.....	\$37,871 85		
Less general fund account....	24 33		
		\$37,847 47	
Refunds		2 92	
			\$37,850 39
NORMAL SCHOOL FUND INCOME.			
Treas. board of regents.....	\$151,023 66		
Less general fund account....	2,681 82		
		\$148,341 84	
Erroneous payments and refunds ..		265 12	
			148,606 96
Total disbursements			\$3,220,036 37

RECAPITULATION.

Balances October 1, 1894:			
General fund	\$977,315 71		
General fund investments	77,782 03		
School fund income	31,667 61		
Total receipts as above	\$2,281,589 75		
Total disbursements as above		\$3,220,036 37	
Balances September 30, 1895:			
General fund		36,618 50	
General fund investments		77,782 03	
School fund income		33,918 20	
	\$3,368,355 10	\$3,368,355 10	

1896.

Statement of Receipts and Disbursements of the State of
Wisconsin for fiscal year ending September 30, 1896.

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
For free high schools.....	\$50,000 00		
For industrial school for boys. . .	8,849 25		
For maintaining insane	161,138 65		
Home for feeble minded (appr) ..	99,729 62		
For fifth normal school	10,000 00		
Manual training department	2,500 00		
For Superior man. training dept. .	72,000 00		
		\$404,217 52	
<i>License Fees.</i>			
Railroad companies	\$1,172,793 62		
Sleeping car companies	2,031 14		
Telegraph companies	10,817 56		
Telephone companies	9,744 64		
Street railway companies	746 73		
Loan and trust companies	2,273 93		
Log driving and boom companies ..	2,379 17		
Fire insurance companies	91,156 87		
Life insurance companies	39,003 85		
Accident and guaranty ins. Cos .	3,344 41		
		1,334,291 92	
<i>Other Fees.</i>			
Peddlers' licenses, ch. 81, 1895 . .	\$15,994 58		
Sec. of state, office & notary fees .	10,483 00		
Bank examiner's fees	6,085 00		
Insurance commissioner's fees . .	27,247 63		
Land department fees	1,006 37		
State treasurer's fees	2 50		
Supt. pub. property, sale of books ..	248 15		
Income penalty, trespass expense. .	2,622 30		
Statesupt. fees, copies pub. rec'ds .	132 40		
		\$63,821 93	
From char. and penal inst., ch. 202, laws 1895		80,120 43	
Suit tax from counties		7,406 00	
Interest on bank balance		1,713 41	
From U. S. maintaining inmates, Wis. veterans' home		19,204 45	
From all other sources		3,791 91	
Total receipts of general fund			\$1,914,567 57
SCHOOL FUND INCOME.			
<i>State Tax.</i>			
Int. certif's of indebtedness	\$109,459 00		
One mill tax	603,473 00		
		\$712,932 00	
Interest		86,104 94	
			\$799,036 94

1896 RECEIPTS—Continued.

UNIVERSITY FUND INCOME.			
<i>State Tax.</i>			
Int. certif's of indebtedness	\$7,770 00		
$\frac{3}{4}\%$ and $\frac{1}{8}$ mill tax	256,476 00		
		\$264,246 00	
Interest		5,762 94	
U. S. app. agr. exper. station	\$15,000 00		
U. S. app., Morrill grant, 1890	22,000 00		
		\$37,000 00	
Students' fees		57,962 94	
			\$364,971 88
AGR. COLLEGE FUND INCOME.			
State tax, int. ctfs. of indebtedness		\$4,242 00	
Interest		10,667 38	
			\$14,909 38
NORMAL SCHOOL FUND INCOME.			
<i>State Tax.</i>			
Int. certifs. of indebtedness	\$36,099 00		
$\frac{1}{8}$ mill tax	120,694 00		
		\$156,793 00	
Interest		62,108 56	
Tuition fees		17,004 20	
Refunds		73 53	
			\$235,979 29
Total receipts			\$3,329,465 06

1896 DISBURSEMENTS.

GENERAL FUND.			
<i>Salaries, Clerk Hire, and Exp.</i>			
Executive department.....	\$8,666	00	
State department.....	33,215	50	
Treasury department.....	17,732	01	
Attorney general department....	5,209	78	
State superintendent department	9,789	76	
Railroad department.....	5,652	46	
Insurance department.....	6,300	00	
Land department.....	19,885	50	
Bank examiner's department....	7,713	24	
Deep channel com. department..	2,292	74	
Supt. public property.....	3,500	00	
Adjutant general's department..	12,160	00	
Quartermaster General's dept....	3,480	00	
Bureau of labor statistics....	8,689	37	
Dairy and food department.....	8,347	61	
State board of control.....	15,506	28	
State historical society.....	9,800	00	
State law library.....	4,402	36	
State veterinary department....	4,047	70	
Land protection.....	4,394	23	
Fish and game warden.....	5,563	00	
Supreme court.....	34,587	75	
Circuit courts (inc. reporters)...	76,921	34	
State board of health.....	4,984	49	
Fish culture.....	27,000	00	
State census.....	14,010	58	
Teachers' institutes.....	890	00	
Forest warden.....	170	60	
State library commission.....	611	14	
State board of immigration.....	5,392	43	
State board of arbitration.....	846	12	
			\$361,761 97
<i>Legislative Expenses.</i>			
Salaries, mileage and expenses...	\$5,679	20	
Printing.....	120	56	
Blue books.....	245	00	
State apportionment.....	360	00	
			\$6,404 76
<i>Charitable and Penal Inst.</i>			
Hospitals for insane.....	\$239,267	25	
School for deaf.....	44,409	29	
School for blind.....	53,359	44	
Industrial school for boys.....	65,369	69	
Industrial school for girls (appn.)	12,500	00	
State prison.....	91,610	64	
State public school.....	48,598	82	
Home for feeble minded.....	35,267	26	
			\$590,382 39
Labor about capitol.....			50,247 10

1896 DISBURSEMENTS—Continued.

<i>Special Appropriations.</i>			
Agri. and indust. associations..	\$11,702 90		
Wis. veterans' home	7,947 80		
Board norm. sch. regents, teachers' institutes, 1895-96	4,000 00		
Normal school, ch. 91, 1895.....	72,500 00		
Codifying school laws	1,875 00		
State university, ch. 500, 1887 ...	1,281 05		
G. Trentanove, statue Pere Marquette	8,000 00		
Wis. sch. for blind, 26 acres, ch. 356, 1895	6,019 20		
State prison, elect. lightg. plant, ch. 356, 1895	8,000 00		
School for deaf, manual training building, ch. 356, 1895.	1,400 00		
		\$122,725 85	
<i>For Sundry Purposes.</i>			
Wis. vet. home, care of inmates..	\$45,995 42		
Merriam Co., dictionaries for state supt.	3,582 00		
J. R. Berryman, indexing ses. laws	1,000 00		
J. R. Berryman, compiling and annotating election laws	300 00		
A. O. Wright, agt. bd. of control	1,476 05		
Transient labor	9,807 12		
Incidental expenses	21,121 31		
Prtg., publishing and advertising	41,199 43		
Stationery and postage	28,142 68		
Gas and fuel	5,749 44		
National guard	107,812 91		
Free high schools	47,890 30		
Maintaining insane in counties ..	315,819 64		
Deaf mute instruction in cities...	12,474 40		
Expressage	4,846 77		
Treasury agent	3,998 65		
Bounty on wild animals	9,391 00		
County agricultural societies	40,591 27		
Chickamauga monument	15,203 36		
Miscellaneous	10,909 34		
		\$727,311 07	
Total disbursements, gen. fund			1,858,833 24
<i>SCHOOL FUND INCOME.</i>			
School money apportioned to cos.		\$792,157 47	
Erroneous payments and transfers ..		539 77	
			\$792,697 24
<i>UNIVERSITY FUND INCOME.</i>			
Treasurer state university		\$406,921 24	
Erroneous payments and refunds ..		11 44	
			\$406,932 68
<i>AGRI. COLLEGE FUND INCOME.</i>			
Treasurer state university		\$14,720 26	
Erroneous payments and refunds ..		189 12	
			\$14,909 38

1896 DISBURSEMENTS—Continued.

NORMAL SCHOOL FUND INCOME.			
Treasurer board normal regents.....		\$235,180 69	.....
Premium and accrued int. on bonds.....		731 53	.....
Erroneous payments and refund ..		502 59	.....
			\$236,414 81
Total disbursements.....			\$3,309,787 35

RECAPITULATION.

Balances October 1, 1895:			
General fund.....	\$36,618 50	.....
General fund investments	77,782 03	.....
School fund income	33,918 20	.....
Total receipts as above.....	3,329,465 06	.....
Total disbursements as above.....			\$3,309,787 35
Balances September 30, 1896:			
General fund			49,815 56
General fund investments			77,782 03
School fund income.....			40,398 85
	\$3,477,783 79	\$3,477,783 79	

1897.

Statement of Receipts and Disbursements of the State of Wisconsin for fiscal year ending September 30, 1897.

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
For free high schools.....	\$50,000 00		
For maintaining insane.....	171,097 71		
For manual training department	2,500 00		
For unpaid tax, 1896, Oconto Co.	270 38		
		\$223,868 09	
<i>License Fees.</i>			
Railroad companies.....	1,265,094 54		
Sleeping car companies.....	904 75		
Telegraph companies.....	10,684 28		
Telephone companies.....	10,777 14		
Street r'y & elec. companies....	697 17		
Loan and trust companies.....	2,272 80		
Log driving and boom companies	1,329 63		
Insurance companies.....	128,955 68		
Plank road companies.....	613 70		
		1,421,329 69	
Suit tax.....		7,183 00	
<i>Charitable and Penal Inst.</i>			
Hospital for insane.....	\$6,349 58		
School for blind.....	3,260 67		
School for deaf.....	1,596 15		
Industrial school for boys.....	716 92		
Donation from Chippewa Falls for home.....	2,509 34		
State prison.....	64,857 01		
Sundries.....	626 65		
		\$79,916 32	
<i>Other Fees.</i>			
Secretary of state, office, notary.	\$10,887 45		
Executive office.....	145 00		
Insurance comm'r fees.....	38,292 87		
Land department fees.....	789 65		
State Supt., sale of books.....	1,784 67		
Supt. Pub. property, sale of books	94 80		
Bank examiner's fees.....	5,660 00		
Income penalty.....	3,415 39		
Hawkers and peddlers' licens: fees	12,499 90		
		\$73,569 73	
From U. S., maintaining inmates, Wis. Vet. home.....		9,459 72	
Miscellaneous.....		663 05	
Interest on bank balance.....		1,012 41	
Total receipts of general fund.....			1,817,002 01

1897 RECEIPTS—Continued.

SCHOOL FUND INCOME.			
<i>State Tax.</i>			
Int. ctfs. of indebtedness.....	\$109,459 00		
One-mill tax.....	599,429 38		
		\$708,888 38	
Interest.....		89,521 88	
			\$798,410 26
UNIVERSITY FUND INCOME.			
<i>State Tax.</i>			
Int. ctfs. of indebtedness.....	\$7,770 00		
17-40 mill tax.....	255,000 00		
		\$262,770 00	
U. S. appropriation.....		38,000 00	
Tuition fees.....		95,033 41	
Interest.....		5,132 15	
			\$400,935 56
AGRI. COLLEGE FUND INCOME.			
State Tax—Int. ctfs. of indebt.....		\$4,242 00	
Interest.....		8,008 00	
			\$12,250 00
NORMAL SCHOOL FUND INCOME.			
<i>State Tax.</i>			
Int. ctfs. of indebtedness.....	\$36,099 00		
1-5 mill tax.....	120,000 00		
Fifth normal school.....	10,000 00		
		\$166,099 00	
Interest.....		60,263 60	
Tuition fees.....		19,908 10	
Erroneous payments and refunds.....		544 40	
			\$246,815 10
Total receipts.....			3,275,412 93

1897 DISBURSEMENTS.

GENERAL FUND.			
<i>Salaries, Clerk Hire and Exp.</i>			
Executive department.....	\$14,561 20		
State department.....	40,244 27		
Treasury department.....	20,187 55		
Attorney general's department...	10,544 07		
State superintendent's dept.....	21,581 53		
R. R. comr's. department.....	11,782 16		
Insurance comrs. department.....	14,196 82		
Land department.....	28,593 30		
Bureau of labor statistics dept....	13,072 47		
Dairy and food comr's. dept.....	9,787 21		
Bank examiner's department.....	8,642 97		
Deep channel comrs. dept.....	619 27		
State board of control.....	20,843 47		
State board of health.....	6,821 03		
Veterinary department.....	3,322 04		
Commissioners of fisheries.....	27,222 84		
Fish and game wardens.....	5,703 58		
State treasury agent.....	3,454 01		
State board of arbitration.....	1,695 92		
State law library.....	6,080 01		
State bar examiners.....	1,156 44		
State historical society.....	13,336 45		
Supreme court.....	35,941 65		
Circuit courts (inc. reporters)....	76,861 91		
Supt. pub. prop., labor & misc....	67,380 96		
State board of immigration.....	1,811 03		
Forest warden.....	177 50		
Free library commission.....	2,537 16		
Miscellaneous.....	5,294 82		
		\$473,456 64	
<i>Legislative Expenses.</i>			
Salaries, mileage and expenses...	\$124,003 45		
Printing, publishing laws, etc...	61,029 49		
Blue book.....	16,483 49		
Annotated statutes.....	1,872 00		
Indexing session laws.....	500 00		
		203,888 43	
<i>Charitable and Penal Inst.</i>			
Hospitals for insane.....	\$249,972 66		
School for deaf.....	59,837 37		
School for blind.....	47,322 07		
Industrial school for boys.....	70,644 41		
Industrial school for girls.....	5,543 37		
State prison.....	114,380 96		
State public school.....	65,971 09		
Home for feeble minded.....	135,792 86		
Sundries.....	1,003 88		
		\$750,468 67	
Maintaining insane in co. asylums.....		348,115 94	
Wisconsin veterans' home.....		78,074 26	
Incidental expenses.....		14,065 70	

1897 DISBURSEMENTS—Continued.

<i>Wisconsin National Guard.</i>			
Adjutant general's department..	\$82,753 66		
Quar. gen'l's department.....	26,189 68		
		\$108,943 34	
Stationery and paper		18,151 16	
Fuel and lights.....		7,755 73	
Free high schools.....		47,931 85	
Manual training in high schools...		1,250 00	
Agricultural and ind. ass'ns.....		9,535 19	
State agri. society indebtedness.....		8,000 00	
County agricultural societies.....		42,258 62	
Fire protection for capitol.....		2,911 26	
Vaults for capitol.....		2,000 00	
Bounty on wild animals.....		9,974 00	
Publishing bank reports.....		276 50	
Advertising lands.....		336 35	
Statements of real estate sales....		1,178 89	
Teachers' institutes.....		1,000 00	
Treas. board normal regents.....		2,104 70	
Common. schools, ex. of st. teach's		914 51	
University summer school.....		1,000 00	
University pr. and ex. for hand bk.		7,583 59	
Miscellaneous.....		4,090 73	
Total disbursements.....			2,145,266 06
SCHOOL FUND INCOME.			
School money apportioned to cos....		\$803,547 16	
Erroneous payments and refunds....		1,677 75	
			\$805,224 91
UNIVERSITY FUND INCOME.			
Treasurer state university.....		\$428,499 21	
Refunds.....		309 65	
			\$428,808 86
AGRI. COLLEGE FUND INCOME.			
Treas. state university.....		\$12,188 34	
Refunds.....		61 66	
			\$12,250 00
NORMAL SCHOOL FUND INCOME.			
Treas. board normal regents.....		\$246,046 15	
Treas. bd. nor reg., err. payments		754 07	
Refunds.....		14 88	
			\$246,815 10
Total disbursements.....			3,638,364 93

1897 RECAPITULATION.

Balances Oct. 1, 1896:			
General fund.....		\$209,815 56	
General fund investments.....		77,782 03	
School fund income.....		40,398 85	
Total receipts as above.....		3,275,412 93	
Total disbursements as above.....			3,638,364 93
Balances Sept. 30, 1897:			
General fund (overdrawn).....		¹ 306,321 79	
General fund investments.....			77,782 03
School fund income.....			33,584 20
		3,749,731 16	3,749,731 16

¹ Books of secretary of state and treasurer show transfers to general from trust funds as follows:

School fund.....	\$90,000 00
University fund.....	39,000 00
Agricultural college fund.....	86,000 00
Normal school fund.....	125,000 00

\$340,000 00

And a balance to cr. of gen. fund of..... \$33,678 21
Instead of above overdraft.

1898.

**Statement of Receipts and Disbursements of the State of
Wisconsin for fiscal year ending September 30, 1898.**

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
For free high schools	\$50,000 00		
For industrial school for boys	13,313 90		
For maintaining insane	164,281 25		
For home for feeble minded	4,612 55		
For state historical library bldg..	60,000 00		
For sundry purposes, R.S., 1071..	500,000 00		
For mill tax, ch. 148, L. 97	180,000 00		
For manual training	2,500 00		
		\$974,707 70	
<i>License Fees.</i>			
Railroad companies	\$1,247,357 03		
Sleeping car companies	852 69		
Telegraph companies	10,882 15		
Telephone companies	15,477 59		
Street railway companies	4,131 90		
Loan and trust companies	2,604 10		
Log driving and boom companies.	1,769 92		
Fire insurance companies	87,029 61		
Life insurance companies	35,747 19		
Accident insurance companies...	22,249 27		
Surety insurance companies	394 65		
		\$1,428,496 10	
<i>Other Fees.</i>			
Peddlers' licenses	\$11,220 61		
Sec. of state, office and not. fees..	22,093 36		
Bank examiner's fees	6,541 00		
Insurance commissioner's fees...	94,858 55		
Land department fees	1,008 27		
State treasurer's fees	12 70		
Supt. pub. prop., sale of books and property	2,994 99		
Income, penalty	1,998 63		
		\$140,728 11	
From charitable and penal inst		92,702 44	
Suit tax from counties		7,023 00	
Interest on bank balances		2,349 89	
From U. S., maintaining inmates. veterans' home		32,243 53	
From U. S., refund to W. N. G., Spanish war		21,109 64	
For sale of state park lands		96,501 61	
From all other sources		7,708 70	
Total general fund receipts		\$2,803,570 72	

1898 RECEIPTS—Continued.

SCHOOL FUND INCOME			
<i>State Tax.</i>			
Int. certificates of indebtedness..	\$109,459 00		
One mill tax.....	600,570 62		
		\$710,029 62	
Interest.....		82,449 42	
Refund, error in apportionment.....		23 77	
			\$792,502 81
UNIVERSITY FUND INCOME.			
<i>State Tax.</i>			
Int. certificates of indebtedness..	\$7,770 00		
$\frac{3}{4}\%$ and $\frac{1}{8}\%$ mill tax.....	255,000 00		
		\$262,770 00	
Interest.....		4,342 48	
U. S. apprn. exprt. station.....		15,000 00	
Farm sales, fees, rents.....		59,448 78	
			\$341,561 26
AGRL. COLLEGE FUND INCOME.			
State tax, interest certificates of in-			
debtedness.....		\$4,242 00	
Interest.....		8,950 27	
U. S. appn. agr. col. & mech. arts...		24,000 00	
Farm sales, fees, rents.....		10,632 91	
			\$47,825 18
NORMAL SCHOOL FUND INCOME.			
<i>State Tax.</i>			
Int. certificates of indebtedness..	\$36,099 00		
Fifth normal school.....	10,000 00		
$\frac{1}{8}\%$ mill tax.....	180,000 00		
		\$226,099 00	
Interest.....		62,448 56	
Tuition fees, etc.....		19,545 24	
Ins. River Falls normal school.....		44,870 13	
			\$352,962 93
Total receipts.....			\$4,338,422 90

1898 DISBURSEMENTS.

GENERAL FUND.			
<i>Salaries, Clerk Hire and Exp.</i>			
Executive department.....	\$15,981 59		
State department.....	38,395 85		
Treasury department.....	20,819 18		
Attorney general's department..	13,625 43		
State superintendent's dept.....	19,844 06		
Railroad department.....	11,654 41		
Insurance department.....	22,218 52		
Land department.....	21,605 94		
Bureau of labor statistics.....	12,555 03		
Dairy and food commissioner....	10,100 70		
Bank examiner's department....	10,810 38		
Board of control.....	22,012 85		
State board of health.....	5,187 27		
State veterinary department....	4,557 20		
State fish commission.....	20,152 06		
State treasury agent.....	3,112 79		
State fish and game warden.....	11,010 15		
State board of arbitration.....	1,578 27		
State board of immigration.....	5,332 00		
State law library.....	7,128 63		
State bar examiners.....	1,322 98		
State historical society.....	14,499 35		
State free library commission....	4,657 73		
Geological and natl. hist. survey.	6,195 24		
Supt. public property.....	60,730 08		
Supreme court.....	38,899 17		
Circuit courts.....	74,679 45		
Forestry commission and warden.	236 25		
Draughtsman.....	1,200 00		
		\$180,102 56	
<i>Legislative Expenses.</i>			
Printing and pub. laws, etc.....		\$4,524 78	
<i>Charitable and Penal Inst.</i>			
Hospitals for insane.....	\$281 303 10		
School for deaf.....	46,376 10		
School for blind.....	37,214 99		
Industrial school for boys.....	125,235 82		
Home for feeble minded.....	128,482 51		
State public school.....	52,316 31		
State prison.....	118,751 65		
State reformatory.....	51,919 48		
		\$841,599 96	
<i>Wisconsin National Guard.</i>			
Adjutant-general's department...	\$43,354 87		
Quartermaster-general's dept....	22,868 33		
Military secretary.....	1,200 00		
Oshkosh strike.....	6,164 04		
Spanish American war.....	119,427 50		
		\$193,014 74	

1898 DISBURSEMENTS—Continued.

Wisconsin veterans' home.....	\$69,270 96	
Maintaining insane in co. asylums.....	365,130 56	
Stationery, paper, etc.....	19,545 82	
Incidental expenses.....	15,257 37	
Fuel and light expense.....	6,799 01	
Deaf mute instruction in cities.....	35,365 05	
Common schools.....	928 58	
Normal schools.....	1,035 00	
State university.....	5,709 51	
Free high schools.....	48,016 62	
Manual training in high school.....	2,750 00	
Agricultural and industrial assns.....	11,977 31	
County agricultural societies.....	46,989 26	
Wis. semi-centennial celebration.....	2,493 00	
Fire protection and vaults capitol.....	6,335 83	
Chickamauga, Chattanooga, com.....	3,870 20	
Bounty on wild animals.....	10,998 00	
Railway investigation.....	1,114 60	
Int. amts. borrowed from trust funds.....	4,843 35	
Wisconsin revised statutes, 1898.....	25,446 00	
State historical library bldg. fund.....	60,000 00	
Statements of real estate sales.....	959 09	
Academy sciences, arts and letters.....	1,540 34	
Publishing bank reports.....	270 30	
Advertising lands.....	281 90	
Miscellaneous items.....	2,249 37	
Total gen. fund disbursements.....		\$2,268,419 07
SCHOOL FUND INCOME.		
School money appor. to counties.....	\$634,263 04	
Refunds.....	112 15	
School funds prem. on bonds.....	34,651 87	
School fund erroneous pay. of bds.....	1,000 00	
		\$670,027 06
UNIVERSITY FUND INCOME.		
Treas. state university transfer.....	\$369,336 90	
Refunds.....	11 36	
		\$369,348 26
AGRL. COLLEGE FUND INCOME.		
Treas. state university transfer.....	\$46,522 76	
Agrl. college fund, erroneous payment Platteville bond.....	600 00	
Ag. col. fund prem. Eau Claire bd.....	693 06	
Refunds.....	9 36	
		\$47,825 18
NORMAL SCHOOL FUND INCOME.		
Treas. bd. normal regents, transfer.....	\$351,479 16	
Refunds.....	13 53	
Normal fund premium on bonds.....	1,470 24	
		\$352,962 93
Total disbursements.....		\$3,708,582 50

1898 RECAPITULATION.

Balances October 1, 1897.		
General fund (overdrawn).....		\$306,321 79
General fund investments.....	\$77,782 03	
School fund income.....	33,584 20	
Total receipts as above.....	4,338,422 90	
Total disbursements as above.....		3,708,582 50
Balances September 30, 1898:		
General fund.....		201,042 86
General fund investments.....		77,782 03
School fund income.....		156,059 95
	\$4,449,789 13	\$4,449,789 13

1899.

**Statement of Receipts and Disbursements of the State of
-Wisconsin for fiscal year ending September 30, 1899.**

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
For charitable and penal instit'ns	\$216,628 37		
For free high schools	50,000 00		
For state historical library bldg.	60,000 00		
Under chap. 148, 1897	180,000 00		
		\$506,628 37	
<i>License Fees.</i>			
Railroad companies	\$1,360,120 14		
Palace and sleeping-car compan's	949 40		
Telegraph companies	11,199 60		
Telephone companies	17,314 74		
Street railway and elec. light co.'s	4,915 82		
Insurance companies	312,078 79		
Loan and trust companies	2,317 01		
Log driving and boom companies	1,886 10		
Plank road	606 00		
		1,711,387 60	
<i>Other Fees.</i>			
Governor's office, notarial fees	\$1,941 00		
Secretary of state	40,807 46		
Sec'y of state, hunting licenses	1,200 90		
Attorney general	1,931 97		
Insurance commissioner, fees	75,865 25		
Bank examiner, fees	5,494 96		
Land department, fees	538 07		
Hawkers and peddlers, license fees	8,735 86		
		\$136,515 47	
Suit tax from counties		5,835 00	
U. S., refund Spanish Amer. war.		66,238 91	
U. S., care of inmates Wis. vet. home		26,322 92	
State supt., sale of books		1,001 50	
State supt. of pub. prop. sale of b'ks		752 47	
State park land sales		26,740 00	
Interest gen. fund, bank deposits		4,376 77	
Sundry refunds		4,360 47	
Hunting license fund		13,750 63	
Miscellaneous		1,546 03	
Charitable and penal institutions		83,427 75	
Total receipts general fund			\$2,588,883 89
SCHOOL FUND INCOME.			
<i>State Tax.</i>			
One mill tax	\$600,000 00		
Int. certificate of indebtedness	109,459 00		
		\$709,459 00	
Interest		78,747 68	
			\$788,206 68

1899 RECEIPTS — Continued.

UNIVERSITY FUND INCOME.			
<i>State Tax.</i>			
17-40 mill tax.....	\$255,000 00		
Int., certificates of indebtedness.....	7,770 00		
		\$262,770 00	
Interest.....		3,464 74	
U. S. treas. agr. college.....	\$25,000 00		
U. S. experimental station.....	11,250 00		
		36,250 00	
Students' fees		87,649 04	
			\$390,133 78
AGR. COLLEGE FUND INCOME.			
State tax: Int. ctfs. of indebtedn's.....		\$4,242 00	
Interest		7,520 34	
U. S. treas. for experimental station.....		3,750 00	
			\$15,512 34
NORMAL SCHOOL FUND INCOME.			
<i>State Tax.</i>			
Sec. 406a, and ch. 170, 1899.....	\$190,000 00		
Int. ctfs. of indebtedness	36,099 00		
		\$226,099 00	
Interest		59,938 37	
Tuition fees		1,542 45	
			\$287,579 82
Total receipts.....			\$4,070,316 51

1899 DISBURSEMENTS.

GENERAL FUND.			
<i>Salaries, Clerk Hire and Exp.</i>			
Executive department.....	\$17,363	21	.....
State department.....	42,397	45	.....
Treasury department.....	19,897	13	.....
Attorney general's department....	12,098	84	.....
State superintendent's dept.....	24,554	61	.....
Railroad commissioner's dept....	18,212	83	.....
Insurance department.....	20,408	49	.....
Tax commission (inc. com. 1998) ..	5,065	83	.....
Land commissioner's department...	27,407	20	.....
Bank examiner's department.....	10,929	33	.....
Bureau labor statistics.....	16,955	61	.....
Dairy and food com'r's dept.....	12,984	80	.....
Board of control.....	23,744	40	.....
Land protection.....	4,397	17	.....
State board of health.....	5,277	73	.....
State veterinary department.....	5,825	60	.....
State fish commission.....	26,288	61	.....
State treasury agent.....	2,360	93	.....
State board of arbitration.....	920	20	.....
State law library.....	7,360	14	.....
State historical society.....	14,181	49	.....
State free library commission....	6,189	91	.....
State bar examiners.....	1,524	59	.....
Fish and game warden.....	13,095	45	.....
State board of immigration.....	2,582	62	.....
Supreme court.....	38,371	93	.....
Circuit courts.....	76,296	87	.....
Supt. pub. prop., labor and misc.	65,273	82	.....
Forest wardens.....	376	01	.....
Draughtsman.....	1,106	45	.....
Geological survey.....	9,386	17	.....
			\$532,925 42
<i>Charitable and Penal Inst.</i>			
Hospitals for insane.....	\$241,553	78	.....
School for deaf.....	41,698	92	.....
School for blind.....	35,739	29	.....
Industrial school for boys.....	94,141	87	.....
Industrial school for girls.....	6,000	00	.....
State prison.....	98,343	24	.....
State public school.....	40,815	89	.....
Home for feeble minded.....	62,585	25	.....
State reformatory.....	89,171	94	.....
Apprns under ch. 302, 1899, for warden's res. at Waupun and home for feeble minded.....	1,521	93	.....
			\$711,572 11
<i>Wisconsin National Guard.</i>			
Adjutant general's department....	\$92,293	15	.....
Quartermaster general's dept....	30,640	25	.....
Oshkosh strike.....	147	15	.....
Spanish American war.....	20,398	88	.....
			\$143,479 43

1899 DISBURSEMENTS — Continued.

Maintaining insane in Co. asylums		390,769 87	
Wisconsin veterans' home		95,652 72	
Incidental expenses		16,901 65	
Stationery, paper		13,256 50	
Fuel and light expenses		6,619 26	
Deaf mute instruction in cities		19,222 87	
State university		25,096 94	
Appn. sub-con. ladies' hall, 306, 1897		2,700 31	
Normal schools		2,704 73	
Free high schools		48,163 11	
Agricul. and indus. associations		25,881 44	
County agricultural societies		50,285 34	
Manual training in high schools		500 00	
Battleship commission		10,013 06	
Expert accountants, ch. 133, 1899		1,060 39	
Bounty on wild animals		10,033 00	
Statements of real estate sales		1,385 50	
State historical library bldg. fund		60,000 00	
Sanborn and Berryman statutes		22,554 00	
Barron Co. firesufferers, ch. 110, 1899		10,000 00	
Repairs, ch. 15, 1899		1,992 83	
Sundry refunds		2,472 63	
Miscellaneous		6,604 15	
<i>Legislative Expenses.</i>			
Salaries, mileage and expenses	\$124,100 85		
Printing, publishing laws, etc.	60,677 15		
Blue book	15,192 51		
Paper	626 50		
		\$200,597 01	
Total general fund disbursements			\$2,412,424 27
SCHOOL FUND INCOME.			
Apportionment to counties		\$757,795 05	
Premiums and acc'd int. on bonds		19,284 48	
Erroneous payments and refunds		1,609 72	
			\$778,689 25
UNIVERSITY FUND INCOME.			
Refund erroneous paym'ts on bonds		\$1,000 00	
Treasurer state university	\$410,932 26		
Less paid through general fund	21,798 48		
		389,133 78	
			\$390,133 78
AGR. COLLEGE FUND INCOME.			
Refund		\$21 46	
Treasurer state university		15,490 88	
			\$15,512 34
NORMAL SCHOOL FUND INCOME.			
Refunds		\$106 15	
Treas. board norm. school regents		287,473 67	
			\$287,579 82
Total disbursements			\$3,884,339 46

1899 RECAPITULATION.

Balances October 1, 1898:		
General fund.....	\$201,042 86	
General fund, investment.....	77,782 03	
School fund income	156,059 95	
Total receipts as above	4,070,316 51	
Total disbursements as above		\$3,884,339 46
Balances October 1, 1899:		
General fund.....		363,391 85
General fund, investment.....		77,782 03
General fund, hunting license fund*		14,110 63
School fund income		165,577 38
	\$4,505,201 35	\$4,505,201 35

* Books of both treasurer and secretary of state show, under different names, an account representing hunting license fees transferred from general fund, with a debit balance of. \$14,698 68

But transfer of above \$14,110.63 is all that appears to credit of general fund on books of either office.

Books of both offices agree in showing total receipts of general fund on account hunting licenses..... 14,951 53

and disbursements 125 00

Leaving net amount in fund..... \$14,826 53

Deduct transfer shown by books of both offices as above..... 14,110 63

Leaves amount not transferred..... \$715 90

1900.

**Statement of Receipts and Disbursements of the State of
Wisconsin for fiscal year ending September 30, 1900.**

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
For charitable and penal insts..	\$231,653 94		
For free high schools.....	100,000 00		
		\$331,653 94	
<i>License Fees.</i>			
Railroad companies.....	1,547,141 64		
Palace and sleeping car com'ies	16,900 31		
Freight line companies.....	1,150 99		
Express companies.....	7,247 01		
Telegraph companies.....	11,312 15		
Telephone companies.....	21,426 73		
St. railway and E. L. companies	8,322 06		
Loan and trust companies.....	2,261 50		
Log driving and boom companies	1,292 72		
Plank road companies.....	524 85		
Insurance companies.....	386,947 62		
		2,004,527 58	
<i>Other Fees.</i>			
Governor's office—notarial fees..	\$2,813 00		
Sec'y. of state, office fees.....	31,183 65		
Insurance commissioner.....	44,277 85		
Bank examiner.....	6,715 00		
Hawkers' and peddlers' license...	10,900 45		
Land department.....	35,932 10		
		\$131,822 05	
Suit tax.....		5,130 00	
Charitable and penal institutions..		83,812 76	
Tax on legacies.....		5,109 73	
U. S. refund Spanish war claims..		14,643 02	
U. S. for Wis. veterans' home.....		17,033 24	
State supt., sale of books.....		3,842 30	
Supt. pub. prop., sale of books.....		406 20	
Interest gen. fund bank deposits..		9,201 19	
Q. M. general, insurance fund.....		2,904 64	
Refunds.....		301 97	
Miscellaneous.....		251 12	
Total receipts, general fund.....			2,610,639 74
SCHOOL FUND INCOME.			
<i>State Tax.</i>			
One mill tax.....	\$625,000 00		
Interest cfts. of indebtedness....	109,459,00	\$734,459 00	
Interest.....		82,280 70	
Erroneous appt., Clark county..		177 43	
			\$816,917 13

1900 RECEIPTS.—Continued.

UNIVERSITY FUND INCOME.			
State tax, ch. 170, L. 1899.....	\$268,000 00		
Int. cts. of indebtedness.....	7,770 00		
		\$275,770 00	
Interest.....		3,871 09	
U. S. treas. appropriations.....		40,000 00	
Students' fees, etc.....		106,575 75	
			\$426,216 84
AGRL. COLLEGE FUND INCOME.			
State tax, int. cts. of indebt'ness.....		\$4,242 00	
Interest.....		8,197 54	
			\$12,439 54
NORMAL SCHOOL FUND INCOME.			
State Tax			
Int. cts. of indebtedness.....	\$36,099 00		
Tax, sec. 406a, and ch. 170, 1899	190,000 00	\$226,099 00	
Interest.....		53,394 34	
Tuition fees.....		2,503 54	
			\$281,996 88
Total receipts.....			4,148,210 13

DISBURSEMENTS.

GENERAL FUND.			
<i>Salaries, Clerk Hire and Exp.</i>			
Executive department.....	\$14,381 29		
State department.....	39,012 06		
Treasury department.....	18,604 86		
Attorney general's department ..	12,349 15		
Railroad commissioner's dept....	7,047 52		
State superintendent's dept.....	24,643 88		
Insurance commissioner's dept ..	20,029 58		
Tax commission department.....	16,412 81		
Land Commission.....	15,344 23		
Land protection	4,024 36		
Draughtsman.....	1,200 00		
Bank examiner's department.....	12,067 60		
Dairy and food comr. dept.....	12,120 25		
Bureau of labor statistics	21,476 83		
Board of control	23,868 47		
State board of health	10,016 05		
State veterinary department	8,537 88		
State fish commission.....	31,156 26		
State treasury agent.....	2,897 08		
State fish and game warden.....	2,981 18		
State board of arbitration.....	826 78		
State board of immigration.....	5,207 71		

1900 DISBURSEMENTS—Continued.

State law library.....	\$8,683 30		
State bar examiners.....	1,860 64		
State historical society.....	14,811 03		
State free library commission.....	8,643 44		
Geological survey.....	17,691 94		
Superintendent public property..	61,158 00		
Supreme court.....	39,113 13		
Circuit courts.....	79,524 70		
		\$535,692 01	
<i>Legislative Expenses.</i>			
Blue book.....	\$5,331 55		
Printing and publishing.....	924 83		
		\$6,256 38	
<i>Charitable and Penal Inst.</i>			
Hospitals for insane.....	\$242,052 61		
Home for feeble minded.....	99,160 93		
School for deaf.....	41,276 16		
School for blind.....	36,634 86		
Public school.....	43,476 32		
Industrial school for boys.....	71,513 54		
State reformatory.....	56,677 37		
State prison.....	103,739 67		
Industrial school for girls.....	13,000 00		
		\$707,531 46	
Maintaining insane in Co. asylums.....		375,860 62	
Wis. veterans' home.....		93,989 40	
<i>Wisconsin National Guard.</i>			
Adjutant general's department..	\$89,722 83		
Q. M. Gen. dept. (and surg. gen.)	32,171 53		
Spanish-American war.....	1,097 54		
		\$122,991 95	
Stationery and paper.....		\$6,942 79	
Incidental expenses.....		19,392 52	
Printing, publishing.....		1,227 72	
Fuel and light expense, etc.....		6,464 19	
Deaf mute instruction in cities....		25,749 64	
Common schools.....		844 80	
Co. training school for teachers....		2,500 00	
State university.....		161,556 19	
Normal schools.....		59,032 81	
Free high schools.....		97,371 80	
Manual training in high schools....		3,500 00	
Agricul. and indus. associations....		16,937 54	
Expert accountants, ch. 133, 1899..		2,278 67	
Pan-Am. exposition, ch. 318, 1899..		3,000 00	
Bounty on wild animals.....		9,786 00	
Statements of real estate sales.....		1,262 42	
County agricultural societies.....		52,258 53	
State hist. library building fund....		150,000 00	
Sanborn & Berryman statutes.....		12,000 00	
Sundry refunds.....		36 81	
Miscellaneous.....		3,155 60	
Total disbursements, gen. fund.....			2,477,622 85

1900 DISBURSEMENTS—Continued.

SCHOOL FUND INCOME.			
Apportionment to counties.....		\$796,826 27	
Premium and accrued int on bonds.....		3,808 88	
Erroneous payments and refunds.....		324 17	\$800,959 32
UNIVERSITY FUND INCOME.			
Treasurer state university.....	\$582,772 12		
Less paid through general fund..	156,798 48		
		\$425,973 64	
Excess of interest refunded.....		243 20	\$426,216 84
AGRI COLLEGE FUND INCOME.			
Excess of interest refunded.....		\$10 97	
Treasurer state university.....		12,428 57	\$12,439 54
NORMAL SCHOOL FUND INCOME.			
Erroneous payments and refunds.....		\$117 71	
Premium on bonds.....		1,051 16	
Treas. bd. normal school regents..	\$336,520 82		
Less paid through general fund	55,692 81		
		\$280,828 01	\$281,996 88
Total disbursements.....			\$3,999,235 43

RECAPITULATION.

Balances Oct. 1, 1899:			
General fund.....	\$363,391 85		
General fund investment.....	77,782 03		
General fund hunting license.....	14,110 63		
School fund income.....	165,577 38		
Total receipts as above.....	4,148,210 13		
Total disbursements as above.....			\$3,999 235 43
Balance Sept. 30, 1900:			
General fund.....			496,408 74
General fund investment.....			77,782 03
General fund hunting license.....			14,110 63
School fund income.....			181,635 19
	\$1,769,072 02	\$1,769,072 02	

1901.

**Statement of Receipts and Disbursements of the State of
Wisconsin for fiscal year ending September 30, 1901.**

RECEIPTS.

GENERAL FUND.			
<i>State Tax.</i>			
For charitable and penal institut.	\$239,224 20		
For free high schools	100,000 00		
		\$339,224 20	
<i>License Fees.</i>			
Railroad companies	1,600,379 79		
Sleeping car companies	9,145 88		
Freight line companies	973 40		
Express companies	14,084 54		
Street railway companies	9,323 62		
Telegraph companies	11,507 35		
Telephone companies	25,224 32		
Loan and trust companies	2,487 89		
Boom companies	1,578 50		
Plank road	352 99		
Fire insurance companies	107,872 91		
Life insurance companies	265,885 04		
Accident, surety, etc.	10,322 51		
Vessel tonnage tax	1,390 15		
		2,060,528 89	
<i>Other Fees.</i>			
Governor's office, misc. fees	\$541 66		
Secy. of state office, incorporation and office fees	59,073 40		
Insurance com. fees	50,340 18		
Bank examiner's fees	6,655 00		
Hawkers' and peddlers' lic. fees	14,412 93		
Land department fees	471 45		
Treasurer's office, fees	123 71		
		\$131,618 33	
Suit tax		5,643 00	
Tax on legacies		26,298 37	
Charitable and penal institutions		85,824 40	
United States-Spanish war claims	\$19,350 67		
Spanish war, special fund	16,130 48		
Care of inmates, Wis. Vets. Home	29,185 49		
		\$61,666 64	
State supt., sale of books		2,085 50	
Supt. public property, sale of books		660 35	
State park land sales		10,535 00	
Int. general fund bank deposits		11,613 03	
Free library commission		2,010 18	
Miscellaneous		5,814 09	
Total receipts, general fund			2,746,521 98

1901 RECEIPTS—Continued.

SCHOOL FUND INCOME.			
<i>State Tax.</i>			
One mill tax.....	\$630,018 02		
Int. certfs. of indebtedness.....	109,459 00		
		\$739,477 02	
Lease.....		25 00	
Interest.....		100,529 62	
			\$840,031 64
UNIVERSITY FUND INCOME.			
<i>State Tax.</i>			
Ch. 170, L. 1899.....	\$268,000 00		
Int. on certf. of indebtedness....	7,770 00		
		\$275,770 00	
U. S. treas., agr. college, etc.....		40,000 00	
Interest.....		8,247 18	
			\$324,017 18
AGRI. COLLEGE FUND INCOME.			
<i>State Tax.</i>			
Int. on ctfs. of indebtedness		\$4,242 00	
Interest.....		18,037 19	
			\$22,279 19
NORMAL SCHOOL FUND INCOME.			
<i>State Tax.</i>			
Int. on ctfs. of indebtedness	\$36,099 00		
Tax, ch. 170, L. '99, & 370, L. '01.	190,000 00		
		\$226,099 00	
Interest.....		66,574 06	
Fees.....		116 85	
			\$292,789 91
Grand total of receipts.....			\$4,225,639 90

1901 DISBURSEMENTS.

GENERAL FUND.			
<i>Salaries, Clerk Hire and Exp.</i>			
Executive department.....	\$15,024 76		
State department.....	38,924 47		
Treasury department.....	18,625 37		
Attorney general's department..	11,865 44		
State supt. public instruction...	27,262 50		
Railway commissioner.....	17,777 92		
Insurance commissioner.....	17,078 98		
Tax commission.....	17,518 41		
Land commission.....	13,328 61		
Bank examiner.....	11,952 29		
Bureau of labor statistics.....	23,935 42		
Dairy and food commissioner...	13,074 96		
Board of control.....	22,821 68		
State board of health.....	5,894 49		
State veterinary department.....	14,059 48		
State fish commission.....	24,104 37		
State treasury agent.....	3,822 28		
State fish and game warden.....	3,477 11		
State board of arbitration.....	927 21		
State board of immigration.....	1,754 93		
State law library.....	6,601 49		
State bar examiners.....	1,975 47		
State historical society.....	24,960 11		
State free library commission...	10,679 55		
Geological & natural history sur..	11,326 95		
Superintendent of public property	53,303 29		
Supreme court.....	38,077 50		
Circuit courts.....	82,081 33		
		\$532,276 40	
<i>Legislative Expenses.</i>			
Salaries, mileage and expenses...	\$135,246 57		
Printing, publishing laws etc....	61,478 73		
Contested seat.....	2,400 00		
Blue book.....	3,814 40		
Miscellaneous.....	148 42		
		\$203,083 1	
<i>Charitable and Penal Institut's.</i>			
Hospitals for insane.....	\$264,396 44		
Home for feeble minded.....	143,142 52		
School for deaf.....	40,826 61		
School for blind.....	36,490 40		
Industrial school for boys.....	75,303 00		
Industrial school for girls.....	3,000 00		
State reformatory.....	82,152 81		
State public school.....	42,673 06		
State prison.....	96,561 67		
		\$784,546 51	

1901 DISBURSEMENTS—Continued.

Maintaining insane in co. assylum		\$441,886 56	
Wisconsin veterans' home		112,015 43	
Wisconsin national guard		122,033 04	
Stationery, paper etc.		27,882 01	
Incidental expenses		12,100 35	
Fuel and light expense		7,661 09	
Deaf mute instruction in cities		29,435 34	
Common schools		4,191 47	
State university		19,351 89	
Normal schools		25,948 41	
Free high schools		97,607 83	
Manual training in high schools		250 00	
Agricultural and industrial assns.		7,087 52	
Pan American exposition		22,000 00	
State board of agriculture		29,077 50	
County agricultural societies		55,854 65	
Bounty on wild animals		12,185 00	
Statement of real estate sales		1,663 46	
Acad., arts, sciences and letters		1,171 57	
Claims against U. S. government		4,626 40	
State historical library, bldg. fund		150,000 00	
Remodeling south wing of capitol		4,007 58	
Furnishing committee rooms		4,196 61	
Repairs capitol, chairs for sen. ch'br.		2,037 51	
Interstate park commission		4,389 47	
Legacy taxes, erroneous pay't ref'd		1,555 12	
Miscellaneous items		4,961 74	
Total disbursements gen'l fund			2,725,088 58
SCHOOL FUND INCOME.			
Apportioned to counties		816,805 42	
Premium and accrued int. on bonds		4,935 38	
Excess of int. refunded		29 42	\$821,770 22
UNIVERSITY FUND INCOME.			
Treasurer state university	339,009 78		
Less paid through general fund	15,000 00		
		324,009 78	
Excess of interest refunded		7 40	
			324,017 18
AGRI. COLLEGE FUND INCOME.			
Treasurer state university		22,274 01	
Excess of interest refunded		5 18	
			22,279 19
NORMAL SCHOOL FUND INCOME.			
Interest refunded		13 39	
Premium and accrued int. on bonds		5,100 46	
Treasurer board nor. sch. regents	313,472 45		
Less paid thro. general fund	25,796 39	287,676 06	292,789 91
Total disbursements			4,185,945 08

RECAPITULATION.

Balances Oct. 1, 1900.....			
General fund.....	493,403 74		
General fund investment.....	77,782 03		
General fund hunting license fund.....	14,110 63		
School fund income.....	181,535 19		
Total receipts as above.....	1,225,649 90		
Total disbursements as above.....		4,185,945 03	
Balances Sept. 30, 1901.....			
General fund.....		517,812 14	
General fund investment.....		77,782 03	
General fund hunting license fund.....		14,110 63	
School fund income.....		49,796 61	
	1,995,476 49	1,995,476 49	

Annual and Biennial Summary of Receipts and Disbursements

Period.	Receipts.			
	From all sources except taxes.	From taxes levied and collected.	Total.	Ratio of state tax to total.
Year ending Sep. 30:				
1889.....	\$1,331,362 19	\$1,207,796 97	\$2,539,159 16	47 65
1890.....	1,374,219 01	1,012,867 05	2,387,086 06	42.43
1891.....	1,780,386 78	1,029,141 16	2,809,527 94	36.63
1892.....	1,694,795 70	1,131,768 22	2,829,563 92	40.10
1893.....	1,851,774 54	1,165,486 36	3,017,260 90	38.63
1894.....	2,342,047 61	1,181,524 72	3,523,572 33	33.53
1895.....	1,874,152 43	407,437 32	2,281,589 75	17.86
1896.....	1,787,031 54	1,512,430 52	3,329,465 06	46.33
1897.....	1,909,545 46	1,365,867 47	3,275,412 93	41.70
1898.....	2,160,574 58	2,177,848 32	4,338,422 90	50.20
1899.....	2,361,118 14	1,709,198 37	4,070,316 51	41.99
1900.....	2,575,986 49	1,572,223 94	4,148,210 13	37.90
1901.....	2,640,827 68	1,584,812 22	4,225,639 90	37.50
Totals.....	\$25,683,824 85	\$17,091,402 64	\$42,775,227 49	40.19
Biennial period end ing Sept. 30:				
1890.....	\$2,705,531 20	\$2,220,634 02	\$4,926,245 22	45.08
1892.....	3,475,182 48	2,163,909 38	5,639,091 86	38.37
1894.....	4,193,822 15	2,347,011 08	6,540,833 23	35.88
1896.....	3,661,186 97	1,949,867 84	5,611,054 81	34.75
1898.....	4,070,120 04	3,543,715 79	7,613,835 83	46.55
1900.....	4,937,104 33	3,281,422 31	8,218,526 64	39.93
Totals.....	\$23,042,997 17	\$15,506,590 42	\$38,549,587 59	40.23
Annual, 13 Years:				
1889 to 1901 inclusive	\$25,683,824 85	\$17,091,402 64	\$42,775,227 49	.....
Yearly average.....	1,975,678 77	1,314,723 28	3,290,402 11	.....
Inc., 1901 over 1889	1,309,465 49	377,015 25	1,686,480 74	.....
Per cent. of same..	98.34	31.21	66.41	.....
Inc. of yearly aver. over 1889.....	644,316 58	106,926 31	751,242 95	.....
Per cent. of same...	48 39	8 85	29 59	.....
1901 over yearly aver.	665,148 91	270,088 84	935,237 79	.....
Per cent. of same...	33 68	20.54	28.42	.....
Biennial, 6 terms:				
1889-90 to 1899-1900 inclusive.....	23,042,997 17	15,506,590 42	38,549,587 59	.....
Biennial average...	3,840,499 53	2,584,431 74	6,424,931 26	.....
Inc. last t'm. ov'r. 1st	2,231,523 13	1,060,758 29	3,292,281 42	.....
Per cent. of same...	82.49	47.77	66.82	.....
Inc. av. over 1st. ter.	1,134,918 33	363,767 72	1,498,686 04	.....
Per cent. of same...	41 95	16 39	30.42	.....
Inc. last term over average.....	1,096,604 80	696,990 57	1,793,595 38	.....
Per cent. of same...	28 56	26 97	27.92	.....

of State of Wisconsin from October 1, 1888, to September 30, 1901.

Disbursements.	Comparison of Disbursements with next preceding year or biennial term.		Excess of receipts over disbursements.	Excess of disbursements over receipts.
	Increase.	Decrease.		
\$2,574,227 76				\$35,068 60
2,320,613 40		\$253,584 36	\$66,442 66	
2,741,785 02	\$421,141 62		67,742 92	
2,593,733 96		148,051 06	235,829 96	
3,152,760 81	559,026 85			135,499,91
2,966,863 02		185,897 79	556,709 31	
3,220,036 37	253,173 35			938,446 62
3,309,787 35	89,750 98		19,677 71	
3,638,364 93	328,577 58			362,952 00
3,708,582 50	70,217 57		629,840 40	
3,881,339 46	175,756 96		185,977 05	
3,999,235 43	114,895 97		148,974 70	
4,185,945 08	186,709 65		39,694 82	
\$42,296,305 09	\$2,199,250 53	\$587,533 21	\$1,950,889 53	\$1,471,967 13
Net inc. (13 yr)	1,611,717 32		478,922 40	
4,894,871 16			31,374 06	
5,335,518 98	\$440,647 82		303,572 88	
6,119,623 83	784,104 85		421,209 40	
6,529,823 72	410,199 89			918,763 91
7,346,947 43	817,123 71		266,883 40	
7,883,574 89	536,627 46		334,951 75	
\$33,110,360 01	\$2,988,703 73		\$1,357,996 49	\$918,768 91
Net inc. (12 yrs)	\$2,988,703 73		439,227 58	

<i>Condensed Summary for the 13 years ending Sept. 30, 1901.</i>			
\$42,296,305 09	Balances October 1, 1883,		
3,253,561 93	General fund.....	\$304,139 09	
1,611,717 32	School fund income.....	26,469 92	\$330,609 01
62.61	Total receipts as above		42,775,227 49
679,334 17			
26.39			
932,383 15			\$43,105,836 50
28 66			
	Total disburse. as above.		\$42,296,305 09
	Balances Sept. 30, 1901.		
	General fund.....	\$517,842 14	
38,110,360 01	General fund investment...	77,782 03	
6,351,726 67	General fund hunting licenses	14,110 63	
2,988,703 73	School fund income.....	199,796 61	\$809,531 41
61.07			
1,456,855 51			\$43,105,836 50
29.77			
1,531,848 22			
24.12			

STATE TAX LEVIES.

All receipts and disbursements being treated, in the foregoing statements, as though first entered directly to proper funds or accounts, as already explained, the following detailed statement of the annual levies of state tax showing total amount collected in each fiscal year during the term covered by such statements, as well as the several items composing the same, is here given for more convenient reference:

YEAR ENDING SEPT. 30, 1889.			
<i>General Fund—</i>			
Charitable and penal institutions	\$127,198 62	.....	.....
Free high schools	50,600 00	.....	.....
Completion state university	200,000 00	.....	.....
Unpaid taxes, 1887	11,056 41	.....	.....
		\$388,255 03	.....
<i>School Fund Income—</i>			
One mill tax	\$573,229 85	.....	.....
Interest certificates of indebtedness	109,459 00	.....	.....
Interest, Sec. 247, R. S....	7,088 36	.....	.....
		\$689,777 21	.....
<i>University Fund Income—</i>			
Annual levy, Ch. 300, Laws 1883	\$71,653 73	.....	.....
Interest certificates of indebtedness	\$7,770 00	.....	.....
		\$79,423 73	.....
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness		\$4,242 00	.....
<i>Normal School Fund Income—</i>			
Interest certificates of indebtedness	\$36,099 00	.....	.....
Fifth normal school	10,000 00	.....	.....
		46,099 00	.....
		\$1,207,796 97	.....

STATE TAX LEVIES—Continued.

YEAR ENDING SEPT. 30, 1890.			
<i>General Fund—</i>			
Charitable and penal institutions	\$137,337 23	.....	.....
Free high schools	50,000 00	.....	.....
Unpaid tax, 1888, and interest	1,642 04	.....	.....
		\$188,979 27	.....
<i>School Fund Income—</i>			
One mill tax	\$577,092 82	.....	.....
Interest certificates of indebtedness	109,459 00	.....	.....
Interest, Sec. 247, R. S. ..	7,088 36	.....	.....
		693,640 18	.....
<i>University Fund Income—</i>			
Annual levy	\$72,136 60	.....	.....
Interest certificates of indebtedness	7,770 00	.....	.....
		79,906 60	.....
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness		4,242 00	.....
<i>Normal School Fund Income—</i>			
Fifth normal school	10,000 00	.....	.....
Interest certificates of indebtedness	36,099 00	.....	.....
		46,099 00	.....
			\$1,012,867 05

STATE TAX LEVIES—Continued.

YEAR ENDING SEPT. 30, 1891.			
<i>General Fund—</i>			
Charitable and penal institutions	\$137,480 74	.....	.....
Free high schools	50,000 00	.....	.....
		\$187,480 74	.....
<i>School Fund Income—</i>			
One mill tax	\$592,890 72	.....	.....
Interest certificates of indebtedness	109,459 00	.....	.....
Interest, Sec. 247, R. S. ..	7,088 36	.....	.....
		709,438 08	.....
<i>University Fund Income—</i>			
Annual levy	\$74,111 34	.....	.....
Interest certificates of indebtedness	7,770 00	.....	.....
		81,881 34	.....
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness .....	.....	4,242 00	.....
<i>Normal School Fund Income—</i>			
Interest certificates of indebtedness	36,099 00	.....	.....
Fifth normal school	10,000 00	.....	.....
		46,099 00	.....
			\$1,029,141 16

STATE TAX LEVIES—Continued.

YEAR ENDING SEPT. 30, 1892.			
<i>General Fund—</i>			
Charitable and penal institutions	\$145,882 07	.....	.....
Free high schools	50,000 00	.....	.....
		\$195,882 07	.....
<i>School Fund Income—</i>			
One mill tax	\$623,859 42	.....	.....
Interest certificates of indebtedness	109,459 00	.....	.....
Interest, Sec. 247, R. S. . .	7,088 36	.....	.....
		740,406 78	.....
<i>University Fund Income—</i>			
9-40 mill tax, L. 1891 . . .	141,372 37	.....	.....
Interest certificates of indebtedness	6,766 00	.....	.....
		148,138 37	.....
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness		4,242 00	.....
<i>Normal School Fund Income—</i>			
Interest certificates of indebtedness	36,099 00	.....	.....
Fifth normal school	10,000 00	.....	.....
		46,099 00	.....
			\$1,134,768 22

STATE TAX LEVIES—Continued.

YEAR ENDING SEPT. 30, 1893.			
<i>General Fund—</i>			
Charitable and penal institutions	\$148,235 08	.....	.....
Fifth normal school	9,985 59	.....	.....
Free high schools	49,927 95	.....	.....
		\$208,148 62	.....
<i>School Fund Income—</i>			
One mill tax	\$653,057 00	.....	.....
Interest certificates of indebtedness	109,301 18	.....	.....
		762,358 18	.....
<i>University Fund Income—</i>			
9-40 mill tax	\$146,937 82	.....	.....
Interest certificates of indebtedness	7,758 90	.....	.....
		154,696 72	.....
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness		4 235 89	.....
<i>Normal School Fund Income—</i>			
Interest certificates of indebtedness		\$36,046 95	.....
			\$1,165,486 36

STATE TAX LEVIES—Continued.

YEAR ENDING SEPT. 30, 1894.			
<i>General Fund—</i>			
Charitable and penal institutions	\$161,386 00	.....	.....
Fifth normal school	10,014 41	.....	.....
Free high schools	50,072 05	.....	.....
		\$221,422 46	.....
<i>School Fund Income—</i>			
One mill tax	\$654,943 00	.....	.....
Interest certificates of indebtedness	109,616 82	.....	.....
		764,559 82	.....
<i>University Fund Income—</i>			
9-40 mill tax	\$147,362 18	.....	.....
Interest certificates of indebtedness	7,781 10	.....	.....
		155,143 28	.....
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness		4,248 11	.....
<i>Normal School Fund Income—</i>			
Interest certificates of indebtedness		86,151 05	.....
			\$1,181,524 72

STATE TAX LEVIES—Continued.

YEAR ENDING SEPT. 30, 1895.			
<i>General Fund—</i>			
Charitable and penal institutions	\$167,437 32	.....	.....
Free high schools	50,000 00	.....	.....
		\$217,437 32	.....
<i>School Fund Income—</i>			
Interest certificates of indebtedness		109,459 00	.....
<i>University Fund Income—</i>			
Interest certificates of indebtedness		10,200 00	.....
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness		4,242 00	.....
<i>Normal School Fund Income—</i>			
Interest certificates of indebtedness	\$36,099 00	.....	.....
1-20 mill tax	30,000 00	.....	.....
		66,099 00	.....
			\$407,437 32

STATE TAX LEVIES—Continued.

YEAR ENDING SEPT. 30, 1896.			
<i>General Fund—</i>			
Charitable and penal institutions	\$269,717 52	.....	.....
Free high schools	50,000 00	.....	.....
Fifth normal school	10,000 00	.....	.....
Manual training dept.	74,500 00	.....	.....
		\$404,217 52	.....
<i>School Fund Income—</i>			
One mill tax	\$603,473 00	.....	.....
Interest certificates of indebtedness	109,459 00	.....	.....
		712,932 00	.....
<i>University Fund Income—</i>			
1-5 mill tax	\$256,476 00	.....	.....
Interest certificates of indebtedness	7,770 00	.....	.....
		264,246 00	.....
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness		4,242 00	.....
<i>Normal School Fund Income—</i>			
Interest certificates of indebtedness	36,099 00	.....	.....
1-5 mill tax	120,694 00	156,793 00	.....
			\$1,542,430 51

STATE TAX LEVIES—Continued.

YEAR ENDING SEPT. 30, 1897.			
<i>General Fund—</i>			
Charitable and penal institutions	\$171,097 71	.....	.....
Free high schools	50,000 00	.....	.....
Manual training dept.	2,500 00	.....	.....
Unpaid tax, 1896	270 38	.....	.....
		\$223,868 09	.....
<i>School Fund Income—</i>			
Interest certificates of indebtedness	\$109,459 00	.....	.....
One mill tax	599,429 38	.....	.....
		\$708,888 38	.....
<i>University Fund Income—</i>			
Interest certificates of indebtedness	\$7,770 00	.....	.....
17-40 mill tax	255,000 00	.....	.....
		262,770 00	.....
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness		4,242 00	.....
<i>Normal School Fund Income—</i>			
Interest certificates of indebtedness	\$36,099 00	.....	.....
1-5 mill tax	120,000 00	.....	.....
Fifth normal school	10,000 00	.....	.....
		166,099 00	.....
		\$1,365,867 47	.....

STATE TAX LEVIES—Continued.

YEAR ENDING SEPT. 30, 1898.			
Charitable and penal institutions	\$182,207 70	.....	.....
Free high schools	50,000 00	.....	.....
State historical library building	60,000 00	.....	.....
Deficiency, R. S., 1071....	500,000 00	.....	.....
3-10 mill tax, Ch. 148, L. 97	180,000 00	.....	.....
Manual training	2,500 00	.....	.....
		\$974,707 70	.....
<i>School Fund Income—</i>			
One mill tax	\$600,570 62	.....	.....
Interest certificates of indebtedness	109,459 00	.....	.....
		710,029 62	.....
<i>University Fund Income—</i>			
Interest certificates of indebtedness	\$7,770 00	.....	.....
9-40 and 1-5 mill tax	255,000 00	.....	.....
		262,770 00	.....
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness .....	.....	4,242 00	.....
<i>Normal School Fund Income—</i>			
Interest certificates of indebtedness	\$36,099 00	.....	.....
Fifth normal school	10,000 00	.....	.....
3-10 mill tax	180,000 00	.....	.....
		226,099 00	.....
		\$2,177 848 32	.....

STATE TAX LEVIES—Continued.

YEAR ENDING SEPT. 30, 1899.			
<i>General Fund—</i>			
Charitable and penal institutions	\$216,628 37	.....	.....
Under Ch. 148, L. 1897....	180,000 00	.....	.....
State historical library building	60,000 00	.....	.....
Free high schools	50,000 00	.....	.....
		\$506,628 37	.....
<i>School Fund Income—</i>			
One mill tax	\$600,000 00	.....	.....
Interest certificates of indebtedness	109,459 00	.....	.....
		709,459 00	.....
<i>University Fund Income—</i>			
17-40 mill tax	\$255,000 00	.....	.....
Interest certificates of indebtedness	7,770 00	.....	.....
		262,770 00	.....
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness .....	.....	4,242 00	.....
<i>Normal School Fund Income—</i>			
Sec. 406a, Stat. 1898	\$190,000 00	.....	.....
Interest certificates of indebtedness	36,099 00	.....	.....
		226,099 00	.....
		\$1,709,198 37	.....

STATE TAX LEVIES—Continued.

YEAR ENDING SEPT. 30, 1900.			
<i>General Fund—</i>			
Charitable and penal institutions	\$231,653 94		
Free high schools	100,000 00		
		\$331,653 94	
<i>School Fund Income—</i>			
One mill tax	\$625,000 00		
Interest certificates of indebtedness	109,459 00		
		734,459 00	
<i>University Fund Income—</i>			
Ch. 170, L. 1899	\$268,000 00		
Interest certificates of indebtedness	7,770 00		
		275,770 00	
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness		4,242 00	
<i>Normal School Fund Income—</i>			
Interest certificates of indebtedness	\$36,099 00		
Sec. 406a, Stat. 1898	190,000 00		
		226,099 00	
			\$1,572,223 94

STATE TAX LEVIES—Continued.

YEAR ENDING SEPT. 30, 1901.			
<i>General Fund—</i>			
Charitable and penal institutions	\$239,224 20	.....	.....
Free high schools	100,000 00	.....	.....
		\$339,224 20	.....
<i>School Fund Income—</i>			
One mill tax	\$630,018 02	.....	.....
Interest certificates of indebtedness	109,459 00	.....	.....
		739,477 02	.....
<i>University Fund Income—</i>			
Ch. 170, L. 1899	\$268,000 00	.....	.....
Interest certificates of indebtedness	7,770 00	.....	.....
		275,770 00	.....
<i>Agricultural College Fund Income—</i>			
Interest certificates of indebtedness		4,242 00	.....
<i>Normal School Fund Income—</i>			
Interest certificates of indebtedness	\$36,099 00	.....	.....
Ch. 170, L. 1899 and 370, L. 1901	190,000 00	.....	.....
		226,099 00	.....
			\$1,584,812 22

APPENDIX.

NOTE.—The following matter is a reprint of Bulletin No. 1 of the Taxation Department of the National Civic Federation, referred to at the end of Chap. V of the foregoing report.

MORTGAGE TAXATION.

NATIONAL CIVIC FEDERATION.

TAXATION DEPARTMENT.

EDWIN R. SELIGMAN, *Chairman* Executive Committee

JOHN R. COMMONS, *Secretary*.

PROGRAM OF THE TAXATION DEPARTMENT.

At the National Conference on Taxation held at Buffalo, May 23 and 24, 1901, under the auspices of the Taxation Department of the National Civic Federation, resolutions were adopted relative to the problem of double taxation and interstate comity in taxation. The call for that Conference, signed by a large number of citizens representing all the leading industrial interests, was as follows:

"For some years the dissatisfaction with our methods of taxation, both State and local, has been growing apace. We have been so long accustomed to a system which was suited to the early conditions of our American life that we are only slowly awakening to its shortcomings in the light of modern business activity. Industry has overstepped the boundaries of any one State, and commercial interests are no longer confined to merely local lines. Corporate activity has largely changed the character of personal property and individual investments.

"The problem of just taxation is no longer a local problem. It cannot be solved without considering the mutual relations of contiguous States and localities. An unequal tax on the farmer in one State may make it difficult for him to sell his products in the world markets. An unjust tax upon the manufacturer or business man may drive him out of business; an unfair tax on the corporation may cause it to move to another State. Action by any one commonwealth evidently reacts upon its neighbor."

As a result of the discussions of the Conference, and notwithstanding the diversity of interests represented, agreement was reached upon the principle of interstate comity as applicable to these new conditions and new forms of property, and the Conference unanimously adopted the following resolution bearing upon that subject.

"Resolved, That this conference recommend to the States the recognition and enforcement of the principles of interstate comity in taxation. These principles require that the same property should not be taxed at the same time by two State jurisdictions, and to this end if the title deeds or other paper evidences of the ownership of property, or of an interest in property, are taxed, they shall be taxed at the situs of the property and not elsewhere. These principles should also be applied to any tax upon the transfer of property in the expectation of death or by will, or under the laws regulating the distribution of the property in case of intestacy."

The stenographer's report of the Conference which adopted this resolution is contained in a volume of 187 pages, published by the Taxation Department of the National Civic Federation for gratuitous distribution among those interested in the reform of State and local taxation. This volume, with its papers and discussions by recognized experts and representatives of all interests, is an authoritative statement of the existing laws, practices and problems of State taxation. With the resolutions above quoted, it furnishes the program and platform upon which the Taxation Department of the National Civic Federation bases the practical work inaugurated in this bulletin.

The Taxation Department has secured the aid of a committee appointed by the "State Boards of Commissioners for Promoting Uniformity of Legislation in the United States," and it is intended at as early date as possible to draft uniform laws on the several subjects of taxation, to be recommended to the State legislatures. As this will require considerable time, the department is preparing a digest of existing laws, to be furnished to members of its committees in all the States and to others interested, with the view of securing their suggestions and practical cooperation in presenting the matter to the legislatures.

TAXATION OF MORTGAGES.

The first subject to be taken up, with a view to securing plans for uniformity, is the taxation of mortgages. Nearly all of the States have laws by which real estate is taxed at its full value, and also the loans secured by mortgages on real estate, whether the real estate be situated in the same State or in other States. These laws are practically uniform and need not be quoted. But there are a few States which have enacted laws either exempting mortgages or else taxing them on the line of the plans suggested in the forgoing resolution. This bulletin gives the essential portions of these laws and brief comments upon their operation. It is intended in a succeeding bulletin to describe more fully their economic results. In some cases the laws have been repealed, but they are never-

theless included as throwing light upon the form of legislation which may or may not prove practicable. In each case the essential portions of the laws are given in full, in order that complete material may be furnished to those who join in drafting bills for legislation adapted to the several States. The constitutional provisions are also inserted for the same reason.

These laws may be classified according to whether the State constitution permits or forbids exemption of mortgages. In Idaho all mortgages and credits are exempt. In other States, where mortgages are required to be assessed, under the judicial construction that they are property and not merely paper evidences of an interest in property, mortgages are treated as real estate and are assessed at the location of the property and not at the domicile of the holder. These are Colorado and California, and formerly Oregon, Missouri and Michigan. There are also three States which adopt the same practice, although their constitutions would permit the exemption of mortgages. These are Connecticut, New Jersey and Massachusetts.

Where mortgages are assessed as real estate there are two different methods of treating the contract between mortgagor and mortgagee. In Massachusetts, Connecticut, New Jersey and Colorado (and Michigan formerly) it is legal for the parties to agree between themselves as to which shall pay the taxes. The debtor usually, if not always, agrees to pay the taxes, or agrees not to ask for a deduction on account of his mortgage, in which case the mortgage is not taxed as such, and the debtor gets his loan at a lower rate of interest, and simply pays taxes on the full value of his real estate. In one State, California (and formerly Oregon and Missouri), such a contract is void, and the mortgagee must pay the tax. The debtor, therefore, is required to pay a higher rate of interest to cover the tax on the mortgage, as well as an additional premium to the lender for the risk and trouble. (See effects of the law in California, *post.*) So unsatisfactory has this method proven that effective means of evasion have been devised and these have been legalized by the courts. Consequently the law of California brings practically the same results as the laws of Massachusetts, Connecticut and New Jersey. This being so, the states of Colorado and Michigan have reached the same result in a more direct way by permitting either party to pay the taxes on the mortgage. Consequently the legislation of Colorado or Michigan is preferable to that of California, and of these two, Colorado's law is much to be preferred over Michigan's, provided it is sustained by the courts.

The method of taxing mortgage interests as real estate was sustained by the Supreme Court of the United States in a case where the holder of the mortgage was a citizen of another state. The Supreme Court said in a case originating in Oregon (169 U. S., 421; 1897):

The State may tax real estate mortgages as it may all other property within its jurisdiction, at its full value. It may do this, either taxing the

whole to the mortgagor, or taxing to the mortgagee the interest therein represented by the mortgage, and to the mortgagor the remaining interest in the land. And it may for the purposes of taxation, either treat the mortgage debt as personal property, to be taxed like other choses in action, to the creditor at his domicile, or treat the mortgagee's interest in the land as real estate, to be taxed to him like other real property at its *situs*.

This method, however, has been declared by the Supreme Court of Missouri as contrary to the fourteenth amendment of the Constitution of the United States, in an instance where the State law excepted railroads and other quasi-public corporations from the operation of the law. The California law was also declared void by a United States Circuit Court (18 F. R., 385; 1884), on the same ground, although sustained on other grounds by the United States Supreme Court (118 U. S., 394; 1886). One of the justices of the Circuit Court suggested that the law could be sustained by eliminating the exception. This suggestion would be in harmony with the principle of the law in California, where the corporation is assessed on its property and franchises without reference to stocks and bonds. There is no reason why the mortgage bonds of a corporation should be assessed as personal property to holders where, as in California, mortgages on real estate are not assessed as personal property to holders. If the corporation is assessed on all its property and franchises at their full value it is just as much double taxation to assess the mortgage bonds in addition as it would be to assess real estate at its full value and to assess the mortgage in addition. The mortgage, in either case, is only a paper evidence of interest in the property, entitling the holder to a definite share in the income. This share of the income is stated in the contract, in the form of a rate of interest on the loan, and where the debtor agrees to pay the taxes on the debt, the lender takes this into account by accepting a lower rate of interest. This rule applies to corporate bonds as well as real estate mortgages. The exception of real estate and other quasi-public corporations in Missouri and in California was not made for the purpose of favoring such corporations, but because they are taxed under the system above mentioned upon all their property value, and it was thought best not to interfere with this. It is doubtful whether the decision in Missouri would be sustained by the U. S. Supreme Court, the final arbiter of the Constitution of the United States. But it happened that the decision in Missouri was not appealable, as it was in favor of the Federal right claimed. So we have the anomalous situation of a taxing system held valid in California and void in Missouri through different interpretations of the Federal Constitution by State courts. The reason for doubt of the legal correctness of the Missouri decision is that the Supreme Court of the United States has uniformly upheld the rights of the States to make reasonable classifications in taxation.

In the following pages the legislation of Maryland and Indiana is introduced as showing interesting experiments in the matter of taxing mort-

gages. Maryland, after several years of mortgage exemption, has adopted an income tax on mortgages, and Indiana has granted a partial deduction to mortgaged real estate, not to exceed \$700.

LEGISLATIVE SESSIONS — 1902-3.

During the winter of 1902-3 the legislatures are in session in 41 States and territories. The Taxation Department of the National Civic Federation has secured committees of representative citizens in many of these States. While a bill for a uniform law has not yet been drafted, it is recommended that bills be presented to the legislatures of the States by the committee of the State, suggestions for which will be found in the existing laws as reproduced in the following pages.

IDAHO.

Constitution.—(Adopted 1889). Art. 7, Sec. 5. All taxes shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws, which shall prescribe such regulations as shall secure a just valuation for taxation of all property, real and personal; provided, that the legislature may allow such exemption from taxation from time to time as shall seem necessary and just; provided further, that duplicate taxation of property for the same purpose during the same year is hereby prohibited.

The Tax Law of March 3, 1895, besides the usual exemptions of school property, etc., also exempted "All dues and credits secured by mortgage, trust deed, or other lien."

MARYLAND.

Declaration of Rights.—Art. 15. "Every person in the State, or person holding property therein, ought to contribute his proportion of public taxes for the support of the government, according to his actual worth in real or personal property."

Mortgage Tax Law.—(Chap. 483). In 1874 the legislature exempted all mortgages. In 1880 (Chap. 122) it exempted only those "upon property wholly within the State," and the "mortgage debts secured thereby." In 1896 (Chap. 120) an 8 per cent. income tax was laid upon mortgages as follows:

"All mortgagees or assignees holding mortgages of record in this State shall annually pay a tax of eight per centum upon the gross amount of interest covenanted to be paid each year to said mortgagee or his assignees by the mortgagor."

Effects of the Law.—The law of 1896, as construed by the courts, exempts probably one-half of all mortgages from its provisions, including mortgages held by Building Associations and Savings Banks. This leaves the private lender as practically the only party paying the tax. It is variously estimated that the rate of interest charged by mortgagees has been increased about $\frac{1}{2}$ of 1 per cent. over what it would be without the tax. The law has not appreciably decreased the supply of capital for improvements.

MASSACHUSETTS

Declaration of Rights, X.—No part of the property of any individual can, with justice, be taken from him or applied to public uses, without his own consent, or that of the representative body of the people.

Constitution.—(Part 2, Chap. 7, Sec. 1.)—The General Court has power "to impose and levy proportional and reasonable assessments, rates and taxes upon all the inhabitants of, and persons resident, and estates lying, within the said Commonwealth."

Mortgage Tax Law.—The existing law was adopted in 1881. It does not exempt mortgages from taxation, although that is the usual outcome of the statute. The Report of the Tax Commission of 1897 (pp. 7, 8) gives the following account of the law :

"It is often stated that mortgages on Massachusetts real estate are exempt from taxation ; but this, while it may express the usual outcome of the statutes, does not state their exact provisions. Strictly, the legislation is designed to bring about one tax on the real estate, and one only, whether it be mortgaged or not. . . . Either the mortgagor or the mortgagee may bring to the assessors of the town where the mortgaged real estate lies, a statement of the amount of the mortgage and the name and residence of every holder of an interest therein as mortgagee or mortgagor. If this be done, the mortgage is taxed to the holder, usually at its face value, but not to an amount exceeding the fair cash value of the mortgaged premises. The mortgagor, however, is usually under no inducement to make a return, stating the mortgage on his property and the extent of his equity. He would have such an inducement only if taxes on the mortgage thereby became chargeable not to himself but to the mortgagee. Mortgage deeds, however, are invariably drawn so as to stipulate that the mortgagor shall assume all taxes. The mortgagor consequently has no inducement to declare the mortgage. The outcome of the legislation is thus that but one tax is levied on the real property, and that the mode of payment of this one tax is left to be adjusted between the mortgagor and the mortgagee in such manner as they may agree. In practice, the mortgagor or borrower agrees to pay the one tax, and contracts his loan with the mortgagee or the lender on this basis."

Law of 1881.—Section 16. "If any person has an interest in real estate, not exempt from taxation under section five, as holder of a duly recorded mortgage given to secure the payment of a fixed and certain sum of money, the amount of his interest as mortgagee shall be assessed as real estate in the place where the land lies; and the mortgagor shall be assessed only for the value of such real estate after deducting the assessed value of the interest therein of such mortgagee. If such estate is situated in two or more places, the amount of the mortgagee's interest to be assessed in each place shall be proportioned to the assessed value of the mortgaged real estate in the respective places, deducting therefrom the taxable amount of prior mortgages, if any, thereon."

Section 17. "If the holder of such mortgage fails to file in the assessor's office a statement under oath of all his estate liable to taxation under

the preceding section, including a statement of the full amount remaining unpaid upon such mortgage and of his interest therein, the amount stated in the mortgage shall be conclusive as to the extent of such interest; but his interest in such real estate shall not be assessed at a greater sum than the fair cash valuation of the land and the structures thereon or affixed thereto."

Section 18. "Mortgagors and mortgagees referred to in the two preceding sections shall for the purpose of taxation be deemed joint owners until the mortgagee takes possession; and until such possession is taken by a first mortgagee, an assessor or the collector of taxes, upon application, shall give to any such mortgagee or mortgagor a tax bill showing the whole tax on the mortgaged estate and the amount included in the valuation thereof as the interest of each mortgagee and of the mortgagor respectively. If the first mortgagee is in possession he shall be deemed sole owner; and any other mortgagee in possession shall be deemed joint owner with prior mortgagees."

Mortgages held by residents on real estate situated outside the State are taxed to the holders as personal property.

Other Debts.—Loans on mortgage of property other than real estate are taxed as personal property. Bonds of Massachusetts corporations, and stocks and bonds of foreign corporations, are assessed as personal property.

Effects of the Law.—The Tax Commission of 1887 pointed out that prior to 1881, when the existing law took effect, savings banks were taxed only $\frac{3}{4}$ of 1 per cent. on their mortgages, and that individuals lending on mortgages were not certainly and unfailingly taxed on their loans. The rate of interest demanded by individuals, therefore, was affected rather by a "risk of taxation" than by a "certain and unfailing charge" on the mortgage interest. Consequently, it could not be expected that the law of 1881 would have had the effect of reducing interest on mortgages more than $\frac{3}{4}$ of 1 per cent., and this reduction, the Commission believes, did actually take place. "Trustees and others formerly liable to taxation on mortgages and so hesitating to make them, now compete for them actively, and are willing to accept a low rate of interest" (p. 37).

The decline in interest rates is obscured in Massachusetts by the fact that farm property has depreciated in value, and the decline in rates which has been evident on other classes of real estate mortgages "has been more than offset by the inevitable unwillingness of investors to increase or even to retain loans on farming security" (p. 38). Where security is the same, the rate of interest has declined. Where security is less valuable the rate has not declined, but this is owing to greater risk, which tends to offset the advantages of greater supply of loanable capital.

CONNECTICUT.

Constitution.—The only clause in the State Constitution which refers in any way to Taxation is Art. I, Sec. II: "The property of no person shall be taken for public use, without just compensation therefor." The Su-

preme Court says: "Taxation is not the taking of private property without compensation" (23 C., 189). Consequently the State legislature is free to exempt mortgages from taxation, or to tax them differently from other property.

Mortgage Tax Law.—The existing law was adopted in 1876. Like the Massachusetts law, it is designed to provide but one tax on mortgaged real estate. The law reads:

(1875—Chap. 26, Revision, 1902, Sec. 2319) "Money loaned on interest, with an agreement that the borrower shall pay the taxes thereon, and secured by a mortgage on real estate in this State, shall, to an amount equal to the assessed value of the mortgaged land in the assessment list of the town where it is situated, be exempt from taxation; but the excess of any such loan over such valuation shall be assessed and taxed in the town where the lender resides, in the same manner as other money on interest. Nothing herein shall exempt any savings bank from the payment of its direct tax to the State."

(1889, Chap. 165; Rev., 1902, Sec. 2323.) "But money secured by mortgage on real estate in this State, where there is no agreement that the borrower shall pay the tax, shall be set in the list and taxed only in the town where said real estate is situated. The provisions of this section shall not include money or property actually invested in merchandise or manufacturing carried on out of the state."

Mortgages on real estate located in other States are taxed to resident holders under the provision that "All notes, bonds and stock not issued by the United States, moneys, credits, choses in action, vessels, etc., belonging to any resident in this State shall be set in his list in the town where he resides at their actual value, except when otherwise provided."

There is also in Connecticut a peculiar law enacted in 1889, which gives the taxpayer an option of paying into the State treasury a tax of 4 per cent. (formerly 2 per cent.), for five years on the face amount of bonds, notes or other choses in action. The State Treasurer gives receipt for this tax, which may be paid in advance for any number of years, at the same proportionate rate, and during that period the bond, etc., is exempt from local taxation. The privilege of this option, however, is not extended to moneys loaned by residents of the State to parties outside the State. (Laws 1889, Ch. 248, Sec. 9; Gen. Stat. 1902, Sec. 2325.)

NEW JERSEY.

Constitution.—(Adopted 1875.) "Property shall be assessed for taxes under general laws, and by uniform rules, according to its true value."

Mortgage Tax Law.—Under the act approved March 28, 1893, it is provided:

"That hereafter no mortgage on real or personal property, or both, whether given by individuals or corporations, or the debt secured by such mortgage, shall be assessed for taxation unless deduction therefor shall have been claimed by the owner of such mortgaged property and allowed by the assessor."

This is practically a re-enactment of the act of 1876. Prior to that time a mortgage was taxable against the owner at the place of his resi-

dence, and it was the taxpayer's duty to make return to the assessor of all mortgages owned by him, whether on lands in the township where he resided or elsewhere.

No taxpayer is obliged to make return of any mortgages to the assessor.

The assessor cannot tax any mortgage against the owner unless he has first allowed a deduction to the owner of the lands covered by the mortgage.

Where a mortgage indebtedness has been claimed and allowed, the mortgage is assessable to the holder or owner of the mortgage in the city or township wherein the lands in the mortgage described are situated. (Gen. Stat., p. 3304, No. 13; P. L. 1876, p. 160.)

The act known as the "Five Counties Act," applying to certain counties in New Jersey adjacent to New York City, legalizes contracts between mortgagor and mortgagee, wherein the mortgagor agrees not to apply for deduction on account of such mortgage. It reads:

Section 1. "That hereafter it shall be lawful for the owners of lands situated in the counties of Hudson, Essex, Union, Bergen and Passaic, and in the cities of Trenton, New Brunswick and Camden to agree for themselves and their heirs and assigns with the holder of any mortgage now in existence or hereafter to be made, which binds or may bind lands in said counties or cities, not to apply for any deduction, by reason of any mortgage, from the taxable value of such lands embraced in such mortgage."

Section 2. "That in case of any mortgagor or owner of lands or the heirs or assigns of any mortgagor or owner of land situate in said counties and cities mentioned in section one, who shall have agreed not to claim any deduction from the taxable value of lands described in any mortgage, shall claim a deduction therefrom in violation of such agreement, that then and in that case said mortgage in said agreement described shall become immediately due and payable, and the amount of tax paid by the mortgagee shall be added to the principal of the debt secured thereby and recoverable therewith with interest thereon from the entire payment." (Gen. Stat., p. 2109, No. 37; P. L. 1876, p. 159.)

While the foregoing act applies only to five counties, there is no law on the statute book prohibiting similar contracts in other counties. Consequently such contracts are legal and enforceable throughout the State. As a matter of fact, therefore, mortgages are usually drawn with a proviso that the mortgagor is not to claim deduction. This amounts, in effect, to an exemption of mortgages from taxation throughout the State.

No deduction can be allowed when the mortgagee is not a resident of New Jersey. Only debts due to creditors residing within the State can be deducted. (11 Vroom, 461; 20 Vroom, 363.)

A mortgage held by a resident of New Jersey made upon lands situate in another State, is taxable in New Jersey. (22 Vroom, 140.)

A mortgage upon lands exempt from taxation is taxable, but it must be assessed to the mortgagee at the place of his domicile. (24 Vroom, 578.)

A land owner cannot have deducted from the value of his land for taxing purposes a mortgage which is exempt from taxation. (12 Vroom, 505.)

The right to have debts deducted is extended only to residents of the

State. Non-residents owning real or personal estate situate within the State, cannot be allowed a deduction even though the creditors reside within the State. (5 Vroom, 65; 6 Vroom, 548.)

In case the mortgage is assessed to the holder, delinquent taxes on the mortgage or debt secured thereby are levied "on the goods and chattels of the delinquent in the county of his residence," and if these "cannot be found, or are not sufficient to make the money required, the constable shall take his or her body, if to be found in the county, and deliver the same to the sheriff of such county or his jailors, to be kept in close and safe custody until payment be made of the said tax with cost." (Gen. Stat., p. 3304, Nos. 112-116; P. L. 1876, p. 160.)

Corporations.—The above law regarding taxation of mortgages applies to corporation bonds secured by mortgage, as well as real estate owned by individuals. (State v. Yard, 13 Vroom, 357.) The law does not apply to railroads and canal companies, but the same principle holds good in the case of these corporations, since they are assessed on their property and franchises while their stocks and bonds are exempt.

Other Debts.—There is no similar law applying to other debts, but such debts owing to creditors residing within the State, may be deducted from the personal estate of the taxpayer, provided the person claiming the deduction state in writing under oath to whom the debt is owing and where the creditor resides. (Gen. Stat., p. 3298, No. 80; P. L. 1866, p. 1078.)

Effects of the Law.—Since mortgages in the State are usually drawn with the proviso that the mortgagor will not claim deduction, there is practically no taxation of mortgages, with the result that interest rates are as low as the money market and the security will warrant. On the other hand, mortgages held by residents on lands in other States, although taxable in law are not reached by the assessors. The assessors are not diligent in ferreting out intangible personal property. It is an unpopular species of activity. Legislators have encouraged the assessors in this respect by exempting various stocks and securities within recent years, and there is a very small proportion of intangible personal property taxable in New Jersey. Probably 90 per cent. of the personal property is non-taxable, either by judicial construction or by express statute.

COLORADO.

Constitution.—Art. 10, Sec. 3. "All taxes shall be uniform upon the same classes of subjects within the territorial limits of the authority levying the tax and shall be levied and collected under general laws, which shall prescribe such regulations as shall secure a just valuation for taxation of all property, real and personal."

Sections 4 and 5 exempt mines for ten years after adoption of Constitution, public property, property used for educational, religious, charitable and burial purposes.

Sec. 6. "All laws exempting from taxation property other than that hereinbefore mentioned, shall be void."

Mortgage Tax Law.—The legislature of 1901 adopted a law treating mortgage notes, etc.; and the property pledged for security, as a unit for assessment, and providing that the mortgage note should not be returned or assessed. By this law the debtor pays the tax and the mortgage is exempt. The constitutionality of the law has not been passed upon by the highest court, but, if the law is sustained, it offers the simplest method of dealing with mortgage taxation in States where the constitutions require the assessment of all property. The law is as follows:

Section 14. " . . . Where any property within this State is mortgaged, conveyed or pledged for the security of a loan or debt then owing, the said property and the notes, mortgage, deed of trust, trust deed, contract or other conveyance shall be assessed as a unit, and as one and the same, and as of one value and as the value of said property so mortgaged, pledged or otherwise conveyed only, and any such notes, mortgages, deeds of trust, trust deeds, contracts or conveyance, shall not be otherwise returned or assessed."

Section 155. "If the mortgagor of lands fails or neglects to pay the taxes thereon, or permits any lands so mortgaged to be sold for taxes, the mortgagee may pay said taxes or redeem the land so sold for taxes; and on payment of any such mortgage, or in an action to enforce the same, such mortgagee may demand the taxes so paid, with interest thereon at the same rate specified in the mortgage, and the same shall be included in any judgment rendered on the mortgage; and any taxes so paid by the mortgagee shall be a lien on such land so mortgaged, until the same shall be paid."

MICHIGAN.

Constitution.—Sec. 11. "The legislature shall provide a uniform rule of taxation, except on property paying specific taxes, and taxes shall be levied upon such property as shall be prescribed by law."

Mortgage Tax Law.—In 1891 the legislature enacted a law taxing mortgages as real estate at the *situs* of the property and permitting the tax to be "paid by either party to such security." It provided that it should "not be lawful for either party to pay the portion of the tax assessed to the other until after the expiration of 30 days from the time the warrant for the collection of the taxes has been placed in the hands of the treasurer." The law was held to be constitutional by the Supreme Court of the State in *Detroit Common Council vs. Assessors*, 91 Mich. 78 (1892).

This law was in force but two years, and was repealed by the next legislature. It was re-enacted by the legislature in 1901 but was vetoed by the Governor. The essential parts of the measure in 1901, known as the Ward-Lowrey bill, are as follows:

(3825) Section 2. "For the purpose of taxation, real property shall include all lands within this State, and all buildings and fixture thereon, and appurtenances thereto, except such as are expressly exempted by law. And any real estate mortgage, deed of trust, land contract, or any other contract or obligation, by which a debt is secured when land within this State is pledged for the payment and discharge thereof, except mortgages,

deeds of trust, or other obligations pledging for the payment thereof the real property of such companies and quasi-public corporations as may otherwise be required by law to pay a specific tax to the State in lieu of all other taxes, shall, for the purpose of assessment and taxation, be deemed and treated as an interest in the land so pledged."

Section 8. For the purpose of taxation personal property shall include.

Sixth. "All credits of every kind belonging to inhabitants of this State, over and above the amounts respectively owed by them, whether such indebtedness is due from individuals or from corporations, public or private, and whether such debtors reside within or without this State, except mortgages, deeds of trust, land contracts, or any other contracts or obligation by which a debt is secured, where land within this State is pledged for the payment and discharge of the same."

Eighth. "All shares in banks organized within this State under the laws of this State, or of the United States, at their cash value, after deducting the assessed value of the real property owned by and assessed to such banks. Provided, That in all cases where it is provided by this act or by any other law of this State that the value of the real property owned by any bank, stock company or corporation shall be deducted from its shares of stock or from its net assets above liabilities in order to determine the amount of its personal property liable to taxation, such language shall be construed to mean real property owned in fee by such corporation and shall not include any mortgage, deed of trust, land contract or other contract or obligation by which a debt is secured where land within this State is pledged for the payment and discharge of the same, which contains a contract by the terms of which the mortgagor agrees to pay all taxes levied or assessed upon the mortgaged premises."

(3847) Sec. 24. " . . . The supervisor shall estimate, according to his best information and judgment, the true cash value of every parcel of real property and set the same down opposite such parcel; also the true cash value of the interest in any such real estate, represented by any real estate mortgage, deed of trust, land contract, or any other contract or obligation by which a debt is secured by the pledge of said real property; also the true cash value of the interest of the owner of the fee of said real property less the said value of said mortgage, deed of trust, land contract, or other contract or obligation; the value of each of said interests to be set down in separate lines or columns: Provided, That if such mortgage, deed of trust, land contract, or other real estate security, contains a contract by which the mortgagor, or maker of such real estate security, agrees to pay all taxes upon the real estate covered thereby, the interest in such real estate shall not be separated, but the whole thereof shall be assessed to the owner of the fee. . . ."

Section 24a. "A mortgage, deed of trust, land contract, or any other contract or obligation by which land is pledged or a debt is secured by a lien upon real property within the State, shall, for the purpose of assessment and taxation, be deemed and treated as an interest in such real property, unless the same shall contain such a contract as to the payment of taxes as is mentioned in section 24 of this act, except as to the property of such companies and quasi public corporations as may otherwise be required by law to pay a specific tax to the State in lieu of all other taxes. In such case the value of the property affected by such mortgage, deed of trust, land contract, or other obligation, less the value of such security, shall be assessed and taxed to the owner of the property, and the value of such security shall be assessed and taxed to the owner thereof in the county and assessing district in which the real property so affected is located. The taxes so levied upon the property affected by such mortgage or other security shall be a lien upon the property. The taxes upon such security shall constitute a lien upon said security, and also upon the real property covered thereby, and may be paid by either party to such security. If paid by the mortgagor or holder of the real property, such portion as was assessed to the mortgagee shall, unless otherwise especially provided by

contract, be considered and treated as a payment on any interest that may be due, or if there is no interest due, then as a payment of so much principal. If paid by the mortgagee or holder of the security such portion as was assessed to the mortgagor or owner of the fee shall become a lien upon the land or real property, and be added to all other obligations and become subject to the same terms and conditions as such mortgage or other security: Provided, That it shall be unlawful for either party to pay the portion of the tax assessed to the other, until after the expiration of thirty days from the time the warrant for the collection of taxes has been placed in the hands of the treasurer: Provided further, That if the said mortgagee shall neglect or refuse to pay the tax assessed to him as the holder of any such mortgage, deed of trust, land contract, or other obligation, the treasurer shall proceed to collect the same from the mortgagor or holder of said real property, in the same manner as is provided by law for collecting other taxes, and any delinquent tax accruing by reason of the failure to collect the tax assessed upon any such mortgage, deed of trust, land contract, or other obligation, may be returned against the said land in the same manner as other delinquent taxes. If any security or indebtedness shall be paid by any such debtor or debtors after the tax shall have become a lien upon the real property affected thereby, the amount of the tax levied shall become an offset against said indebtedness. . . ."

The objections to the Ward-Lowrey bill, as stated by the Governor in his message, were as follows:

1. It would drop seventy millions to one hundred millions of dollars from the taxable property of the State.
2. The similar law of 1891 worked so badly that it was erased from the statute books.
3. If unsecured credits are assessed, secured credits should also be assessed.
4. Notwithstanding the repeal of the law of 1891 the rate of interest has declined from 7 and 8 per cent. to 4, 5 and 6 per cent.
5. Foreign capital would not seek investment in the State if the rate of interest should fall below the going rate in other States.
6. The bill does not apply "uniformly" to railroad bonds.
7. Loans already contracted without an agreement that the borrower pay the tax would be taxed unjustly to the creditors.

It should be added that the Ward-Lowrey bill was carried through the legislature at the instance of the Farmers' Grange in Michigan and the Farmers' Clubs, and was directly influenced by the great success of the State Tax Commission, created in 1899, in discovering and adding to the tax duplicate some \$50,000,000 in mortgages held by residents, as against probably not more than \$10,000,000 assessed in prior years. This activity compelled local money lenders to add the local rate of taxes to the rate of interest on their loans and has placed them at a disadvantage in comparison with insurance companies and other outside lenders who loan at five per cent. where they are compelled to charge 6½ per cent.

A leading tax official of the State of Michigan in commenting on this subject states, that "the law of 1891 was repealed not because the farmers of Michigan were opposed to it, but because the bankers of the state initiated the movement to repeal

the law and worked upon the prejudices of some farmers who were in the legislature until they succeeded. The State banks of Michigan, and in fact all banks, are assessed upon their capital stock and not upon their property holdings. The banks have had great advantage over other money lenders by reason of these provisions.

"After the law of 1891 was passed, banks had no advantage over ordinary money lenders in this particular, and they sought a repeal of the same, and to secure the repeal they made the farmers believe that they were paying all the taxes, and the creditor paying none, because in nearly every mortgage was inserted a clause requiring the mortgagor to pay the tax upon the equity and also upon the mortgage interest. The average rate of taxation in our cities and villages where most of our money lenders reside is not less than 2 per cent. and from that to 6 per cent. and 7 per cent. in some of the northern counties.

"The bank can loan at 6 per cent. interest without paying any tax, while the private lender is obliged to pay from 2 per cent. upward, and in some instances more than the interest received. The farmers of the State and borrowers generally are beginning to learn that to get low rates of interest, the money lender must be relieved of high rates of taxation, and it is now thought that the same dissatisfaction could not be aroused again. What the people of Michigan want is a low rate of interest, and that would far more than compensate the small amount of taxes received upon mortgage credits. Already mortgage credits subject to taxation are fast disappearing in Michigan under the efforts of the Tax Commission. The Commission is doing its work well, but it is driving credits out of the State, as almost every man who has a few thousand dollars to loan is placing his mortgages in the hands of non-residents or taking the loan through banks, so as to escape taxation."

CALIFORNIA.

Constitution — (Article xiii.) Section 1. "All property in the State, not exempt under the laws of the United States, shall be taxed in proportion to its value, to be ascertained as provided by law. The word "property," as used in this article and section, is hereby declared to include moneys, credits, bonds, stocks, dues, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership The Legislature may provide, except in cases of credits secured by mortgage or trust deed, for a deduction from credits of debts due to bona fide residents of this State. (Amendment ratified November 6, 1895.)

Section 4. "A mortgage, deed of trust, contract, or other obligation by which a debt is secured, shall, for the purpose of assessment and taxation, be deemed and treated as an interest in the property affected thereby. Except as to railroad and other quasi-public corporations, in case of debt so secured, the value of the property affected by such mortgage, deed of trust, contract, or obligation, less the value of such security shall be assessed and taxed to the owner of the property, and the value of such security shall be assessed and taxed to the owner thereof, in the county, city, or district in which the property affected thereby is situ-

ate. The taxes so levied shall be a lien upon the property and security, and may be paid by either party to such security; if paid by the owner of such security, the tax so levied upon the property affected thereby shall become a part of the debt so secured; if the owner of the property shall pay the tax so levied on such security, it shall constitute a payment thereon, and, to the extent of such payment a full discharge thereof; provided, that if any such security or indebtedness shall be paid by any such debtor or debtors, after assessment and before the tax levy, the amount of such levy may likewise be retained by such debtor or debtors, and shall be computed according to the tax levy for the preceding year."

Section 5. "Every contract hereafter made, by which a debtor is obligated to pay any tax or assessment on money loaned, or on any mortgage, deed of trust, or other lien, shall, as to any interest specified therein, and as to such tax or assessment, be null and void."

Mortgage Tax Law.—Section 3627, Revenue Laws of California, repeats practically the constitutional provision.

Effects of the Law.—Careful investigations made by Professor Plehn, of the State University of California, show that the tax, where the law is not evaded, increases the rate of interest on mortgage loans above the rate on other loans equally secure, but untaxed, by the amount of the tax plus about $\frac{1}{3}$ of 1 per cent. In San Francisco the rate of interest on mortgage loans, taxed, for 19 years (1880-1898) averaged 6.81 per cent. This was 2.08 per cent. more than the rate on bonds and first-class commercial paper, untaxed, which averaged 4.73 per cent. The rate of taxation on assessed value of all property averaged 1.699 per cent. Consequently the "mortgage tax raises the rate of interest by a little over 2 per cent., but the tax amounts to only 1.7 per cent. The difference, which is over $\frac{1}{3}$ of 1 per cent., is the "cost of shifting," which the borrower pays the lender in addition to the tax. It is the amount which is necessary to protect the lender against any unexpected changes in the tax rate and to remunerate him for his trouble in paying the tax.

"Savings banks, whose loans are mainly on real estate as security, have had reason to congratulate themselves on the existence of this system of taxing mortgages. It has worked to their advantage in two ways: 1st, it has enabled them to collect from $\frac{1}{4}$ to $\frac{1}{3}$ of 1 per cent. more interest than they could have obtained; and secondly, it has prevented eastern capital from seeking investment in California mortgages, and has lessened the competition which they would otherwise have had to encounter."—Prof. Carl C. Plehn, University of California, in *Yale Review*, May, 1899.

The Supreme Court in 1898 sustained a method of evading the constitution and law, which is now generally adopted. The court held (*London and San Francisco Bank v. Bandman*, 120 Cal., 121) that "a valid agreement not simultaneous with or directly a part of the mortgage, providing for the payment of the tax by the mortgagor, does not violate the constitutional provision."

"This brings the California system of taxing mortgages into practical conformity with that of Massachusetts. That is, the two parties to the mortgage can make any agreement they please as to the payment of the tax." — Prof. Plehn.

So general is this method of evasion that the law stationers carry regular forms for evasion, embodying "a contract, separate and distinct from the mortgage, in which the creditor agrees to reduce the interest in case the debtor agrees to pay the tax."

Corporations.—Bonds and stocks of corporations are not taxed to the holders. The law says "shares of stock in corporations possess no intrinsic value over and above the actual value of the property of the corporation, which they stand for and represent."—Sec. 3608.

"A tax upon the bonds of railroad companies secured by mortgage upon their property, which is required to be assessed at its full value to such companies, is double taxation, forbidden by the constitution."—128 Cal., 607 (1900).

Other Debts.—"In assessing solvent credits, not secured by mortgage or trust deed, a reduction therefrom shall be made of debts due to bona fide residents of this State."—Sec. 3628, amended 1895.

OREGON.

Constitution.—Article 11. "The legislative assembly shall provide by law for uniform and equal rate of assessment and taxation; and shall prescribe such regulations as shall secure a just valuation for taxation of all property, both real and personal, excepting such only for municipal, educational, literary, scientific, religious or charitable purposes, as may be especially exempted by law.

Mortgage Tax Law.—In 1880 the legislature provided for the deduction of debts owing within the State from all taxable property, provided the debtor furnished the name and address of the creditors.

In 1882 the legislature enacted a law almost identical with that of California respecting mortgage loans on real estate. In 1885 this was made applicable to railroad corporations and in 1889 to iron, steel and mining corporations. The entire law was repealed in 1893 and the legislature enacted that "No deduction of indebtedness from assessments or taxes shall be allowed in any case."

MISSOURI.

Constitution.—In November, 1900, the people of Missouri adopted a constitutional amendment almost identical with that of California. Like the California law, the amendment excepted mortgages of railroads and other quasi-public corporations. This exception led to a decision by the Supreme Court of the State on June 18, 1901 (*Russell v. Croy*), holding that the constitutional amendment is void on the ground of inequality in taxation, in violation of the fourteenth amendment of the Constitution of the United States. The same point was raised in California by a railroad company, but was overruled by the Supreme Court of the State (*R. R. Co. v. Bd. of Equalization*, 60 Cal., 35; 1881). It was sustained, however, in the United States Circuit Court (18 Fed. R., 385; 1884) but has never been decided by the Supreme Court of the United States.—F. N. Judson, *National Conference on Taxation*, p. 68.

Effects of the Law. — The adoption of the Missouri amendment was "so unexpected that it caused at first a panic among money lenders, and a few foreign companies withdrew from the State, refusing to renew their loans. But others soon discovered the successful expedients adopted in California for shifting the tax back upon the mortgagor. . . . The usual method is to take with the interest notes at the agreed rate, additional notes for the probable amount of taxes, payable annually until the maturity of the principal, with a collateral agreement for the cancellation of these notes upon the production by the mortgagor of receipts for all taxes upon the land." — F. N. Judson.

So unsatisfactory was the law that the next general assembly voted to resubmit the amendment. Meanwhile the Supreme Court declared it unconstitutional as conflicting with the Constitution of the United States.

INDIANA.

Constitution. — Section 193. "The General Assembly shall provide by law for a uniform and equal rate of assessment and taxation; and shall prescribe such regulations as shall secure a just valuation for taxation of all property both real and personal, excepting such only for municipal, educational, literary, scientific, religious or charitable purposes, as may be especially exempted by law."

Mortgage deduction law. — The legislature of 1899 enacted a law permitting the mortgagor of real estate to deduct from the assessed value of his realty mortgage indebtedness to the amount of \$700.00. The law is as follows:

"That any person being the owner of real estate liable for taxation within the State of Indiana, and being indebted in any sum secured by mortgage upon real estate, may have the amount of such mortgage indebtedness, not exceeding seven hundred dollars, existing and unpaid upon the first day of April of any year, deducted from the assessed valuation of mortgaged premises for that year, and the amount of such valuation remaining after such deduction shall have been made shall form the basis for assessment and taxation for said real estate for said year: Provided, That no deduction shall be allowed greater than one-half of such assessed valuation of said real estate.

Section 2. "Any person desiring to avail himself or herself of the provisions of this act shall, between the first day of March and the first day of May of each year, file with the auditor of the county wherein said real estate is situate a sworn statement of the amount of such mortgage indebtedness existing and unpaid on the first day of March of that year; giving the name and residence of the mortgagee, and shall also give the name and residence of the assignee, or bona fide owner or holder of said mortgage, if known, and if not known, said person shall state that fact, and shall also state the record and page where said mortgage is recorded, and a brief description of the real estate upon which such incumbrance exists."

Section 3. "The County Auditor with whom such statement is filed, in case the money, notes or credits evidenced by such mortgage indebtedness be liable for taxation in any county in the state of Indiana other than the one wherein such real estate is situate, shall immediately certify and transmit a copy of such sworn statement to the auditor of the county wherein the mortgagee, assignee or bona fide holder or owner of said mortgage resides, or wherein the money, notes, or credits evidenced by mortgage is otherwise taxable."

Section 4. "Any person who shall wilfully make a false statement of the facts provided for in section 2 of this act shall be deemed guilty of

misdemeanor, and upon conviction thereof shall be fined in any sum not less than fifty, nor more than five hundred dollars, to which may be added imprisonment in the county jail for any term not exceeding six months."

Effects of the Law.—The mortgage deduction law has two objects: First, to offer an inducement to mortgagors to declare the name and residence of the mortgagees, in order that as many of the latter as live in the State may be assessed on their mortgages. The deduction, at the average rate of taxation, $1\frac{1}{2}$ per cent., amounts to about \$10.00. Second, to place mortgage debtors on a similar basis with creditors who are permitted to deduct their debts from their credits. Creditors are assessed on "all indebtedness due to inhabitants of this State above the amounts respectively owed by them." (Laws of Taxation, Sec. 4.)

An investigation made by the labor statistician of the State showed that in the year 1900 the deductions claimed by creditors from personal credits were \$38,325,642, and the deductions claimed by mortgage debtors were \$33,493,912. There were 73,637 persons claiming mortgage deductions.

The mortgage deduction law is attacked in a case now pending before the Supreme Court of the State on the ground of unconstitutionality. The attorney general of the State, in speaking of the law said: "I know of no principle of law that will protect deductions from credits and destroy deductions from mortgaged property. . . . Deductions have always been allowed from mortgage notes, and mortgages are generally better than money. . . . Their debts ought in justice to be deducted from their credits. The deduction claimed on the \$40,000,000 of credit should go down if the deduction claimed on account of the \$40,000,000 of mortgages must go down."—Annual Conference of State Tax Commissioners and County Assessors, 1902, p. 42.

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